DEPARTMENT OF RECONSTRUCTION AND SUPPLY

ENCOURAGEMENT TO INDUSTRIAL EXPANSION IN CANADA

Operation of Special Depreciation Provisions

NOVEMBER 10, 1944—MARCH 31, 1949

Published by Authority of
the Right Hon. C. D. Howe, M.P.,
Minister of Reconstruction
and Supply

CANADA

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
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FOREWORD

With the advent of peace in 1945, the Canadian economy was faced with a two-fold task: First, there was need to liquidate the industrial and military war effort which at its peak absorbed about half of Canada's resources. Second, there was need to encourage the expansion of business serving peacetime purposes to take the place of large-scale Government buying of munitions and war equipment. The main aim was to accomplish this task with a minimum dislocation of the labour force and with as little hardship as possible, while at the same time maintaining a high level of employment and income, which the Government declared in its White Paper of April, 1945, to be the primary object of its policy.

The guiding principle of Canada's economic and fiscal policies in the transition period was to create as favourable conditions as possible for private initiative to carry out the large task of conversion, modernization and expansion of Canadian industry so urgently needed if this country was to supply all the goods required both at home by its own citizens and abroad by many of the war-devastated countries.

On November 17, 1947, formal notice was given that the reconversion period was over. The U.S. dollar shortage, which had already affected so many of our best customers, then forced Canada into a number of import restrictions, which are bound to affect a large variety of consumer and capital goods. At the same time the Geneva Agreements on Tariffs and Trade were announced which open the door to Canada to correct the chronic adverse balance with the U.S. by re-orientation and expansion of our export trade—a development which will stimulate industrial expansion in this country.

This report, however, is concerned with developments during the reconversion period, up to November 17, 1947. By that date Canadian industry had completed the task of plant conversion and adaptation and Canadian labour had also, by and large, adjusted itself to the new pattern of production. The reconversion period called for a number of definite and relatively specialized policies. In summary they fall into two categories:

Measures designed to speed-up liquidation of wartime obligations and the wartime industrial structure through rapid cancellation and settlement of war contracts, disposal of war surplus assets, and conversion of war productive facilities where possible for peacetime use by Canadian industry.

Direct fiscal incentives to encourage industrial expansion pending the revision of the over-all restrictive wartime tax structure to conform to the continuing peacetime needs for the maintenance of a high level of employment and income.

Among fiscal incentives was the provision introduced on November 10, 1944, for special depreciation under the Income War Tax Act for industrial investment primarily designed to aid the conversion, modernization and expansion of Canadian industry in the transition period. The purpose of this provison was to encourage industrial growth by reducing the tax load of investing companies at a time when income and excess profit taxes were high, investment costs were rising, and the risks involved in making large capital outlay were considered great because of the uncertainty of the future.

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The attractiveness of this provision which was confined to industrial investment of the most urgent type is indicated by the fact that special depreciation was approved for a total investment expenditure of $1·4 billion between November 10, 1944, and March 31, 1947, with the proviso that the projects be completed before March 31, 1949. This volume is almost three times as much as was approved under similar fiscal aids during World War II which had been designed to encourage industrial investment for military purposes.

The Department of Reconstruction and Supply was responsible for certifying the eligibility of industrial investment expenditures for special depreciation and in discharging this responsibility the Department endeavoured, to a limited extent, to guide private investment policy in such a way as to fit best into general reconstruction policy. In particular it was found possible in 1946 when investment activity approached high levels to use special depreciation as a measure of persuasion to induce businessmen contemplating construction projects to postpone some of their investment plans to a later date when more plentiful supplies would make it easier to undertake these projects. With an improvement of the material situation in 1947 and continuing high levels of investment activity, the purpose for which special depreciation provisions were made had been accomplished and the issuance of certificates ended on March 31, 1947.

Firms applying for special depreciation had to provide detailed information on the economic significance of their investment expenditures. This information, much of which had been obtained in Canada for the first time, has been incorporated into this report which deals in brief with the scope and significance of the special depreciation provisions and indicates the long run economic effects which are likely to result from the large capital expansion program of industry presently under way. The survey brings into focus the tremendous potential inherent in Canada's newly gained industrial strength and points to the better preparedness of the Canadian people to look with confidence towards an uncertain future.

The report was prepared by Dr. O. J. Firestone, Deputy Director-General of the Economic Research Branch of this Department. Mr. E. J. Brower assisted in the preparation of statistical material.

C. D. HOWE, M.P.,
Minister of Reconstruction and Supply.

OTTAWA,
January 2, 1948.

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SUMMARY

The Department of Reconstruction and Supply was responsible for the certification of eligibility of investment expenditures for special depreciation under the Income War Tax Act. This taxation provision was available to a large segment of Canadian industry between November 10, 1944, and March 31, 1947, on outlays for conversion, modernization and expansion of plant facilities to be completed before March 31, 1949. Special depreciation was a measure designed to reduce the amount and postpone a part of taxes payable by companies making investment expenditures in the transition period from war to peace when taxation levels continued to remain high, construction, machinery and equipment costs were rising, and an uncertain outlook for the future prevailed. Special depreciation in the transition period was a sequel to a number of similar arrangements under the War Exchange Conservation Act, War Contracts Depreciation Board, and by special agreements made during World War II to encourage industrialists to expand the kind of productive capacity most urgently required for the full prosecution of the war.

This report reviews the scope and significance of special depreciation provisions (pp. 27-33) and the economic impact of the investment expenditures brought within its orbit (pp. 35-61). As a background, the report deals briefly with the creation of the wartime industrial structure, the problem of its adaptation for peacetime purposes to consolidate the gains of wartime economic development in Canada (pp. 13-18), and the fiscal aids given to private industry to stimulate plant expansion both in war and peace (pp. 19-25).

Special depreciation has been approved for investment expenditures of $1·4 billion which reporting companies expect to spend between November 10, 1944, and March 31, 1949. This outlay involves 8,054 different projects planned by 4,212 companies. It entails the conversion, modernization and expansion of 3,668 existing plants and the establishment of 1,174 new plants (pp. 51-55). Broadly, about two-fifths of all business investment and some four-fifths of total manufacturing investment undertaken in the transition period has been or is making use of special depreciation provisions (p. 36).

It bears emphasis that special depreciation provisions were not by themselves responsible for this large volume of investment. The data rather reflect the volume of investment which made use of special depreciation provisions because they were advantageous to business at a period when the economic outlook was uncertain. Because of statistical limitations, it is not possible to measure the volume of investment which has been induced directly by special depreciation and would not have been undertaken but for this concession. It was, however, possible—and this is one of the useful by-products of the special depreciation procedure—to obtain detailed information on the type and economic impact of investment intentions of an important segment of Canadian industry.

Here in brief is what investment expenditures of $1·4 billion with approved special depreciation might mean:

(1) Ontario anticipates the largest amount of investment projects with approved special depreciation, $605 million. Quebec is next in line with $509 million, followed by British Columbia with $165 million, the Maritime Region with $65 million, and the Prairie Region with $48 million. On a per capita basis, however, industrial expansion in British Columbia is larger than that of the other provinces (pp. 39-40).

(2) Amongst the cities, the largest expenditure approved for special depreciation amounting to $247 million, is projected for Montreal. Toronto follows with $172 million, Hamilton with $61 million and Vancouver with $58 million. On a per capita basis, St. Catharines leads, followed by Kingston, Kitchener, and Three Rivers. On this basis, Montreal ranks tenth, Toronto eleventh and Vancouver thirteenth (pp. 40-42). The process of increased industrialization is affecting small communities as well as large urban centres. Of 1,174 new plants involving projects approved for special depreciation, 676, with an investment of $167 million, are in the major cities with population of over 30,000; 96, involving an outlay of $70 million, are in medium-sized cities and towns with population of 10,000 to 30,000, and 402, with capital expenditures amounting to $146 million, are in smaller towns and communities with population of less than 10,000 (p. 56).

(3) Among industries, the wood, pulp and paper group leads with contemplated investment expenditures with approved special depreciation amounting to $369 million. Next in importance are the vegetable and animal food group, particularly processing and packing industries, with $195 million, followed by iron and steel industries with $170 million, and the textiles and textile products and the non-metallic mineral group each with some $122 million. A total of $117 million is contemplated for the chemical industry and $101 million for commercial shipping. Taking the number of persons employed as a basis of comparison, non-metallic minerals is the leading industry, followed by commercial shipping, the chemical industry, the wood, pulp and paper group and the vegetable and animal food group (pp. 42-45).

(4) The investment program approved for special depreciation is made up from a small number of large projects to a large number of small projects. Of a total of 8,054 undertakings, 6,166, with a total outlay of $105 million, involved investment of less than $100,000 per establishment, indicating the vigour shown by small and medium-sized industry. At the same time large-scale business enterprise is carrying out an extensive plant conversion, expansion and modernization program: 273 projects were approved, each exceeding $1 million, involving investment expenditures of $815 million, or 58 per cent of the total (pp. 45-46).

(5) The execution of the investment program is having an immediate and important impact on the level of employment and income in the country. This is what capital expenditures for industrial development of $1·4 billion entail (pp. 47-51):

(*a*) Construction expenditures for plant conversion, modernization and expansion of about $400 million. Of these, $155 million are for wage payments to construction labour, $201 million for materials, and $43 million for other charges, mainly overhead and profits of contractors.

(*b*) Purchase of new machinery and equipment to the order of $758 million. Of these, $499 million are for Canadian-produced machinery and equipment and $259 million for purchases abroad.

(*c*) Acquisition of existing property, such as buildings, plants and installations, used machinery and equipment, including ships, partly from the Dominion Government through War Assets Corporation, or from private sources, involving an outlay of $235 million, of which $106 million are for fixed assets and $129 million for movable assets.

(6) Even more significant appear to be the long-run economic effects expected by business enterprise to result from the large industrial expansion program. This is what that segment of industry which took advantage of special depreciation anticipates for the near future after completion of its capital expenditure program (pp. 51-57):

(*a*) A projected annual gross value of production of $8·6 billion, only about one billion dollars short of the gross value of production turned out by *all* enterprises in this group of industries in 1945. In terms of value *reporting* companies expect to turn out in the post-war period two and a half times as much and in terms of physical volume about one and three-quarters times as much as they produced before the war.

(*b*) An export target of $2·1 billion which would exceed accomplishments of the immediate past when exports of *all* enterprises in the group of industries covered amounted to $1·8 billion in 1946. In terms of value *reporting* companies expect to export about three and a half times and in terms of volume two and a half times as much as they did before the war.

(*c*) An anticipated employment level of 980,000 persons or about two-thirds of the working force employed by *all* companies in the industries covered here. Compared with pre-war, the *reporting* companies expect to provide, in the post-war period, almost twice as many jobs as they did before the war.

(*d*) A large measure of industrial diversification through the production of over 200 new commodities formerly not available in Canada and imported from abroad. New types of goods range from scientific instruments to special types of pulp-mill machinery, from cordless electric irons to diesel engines, from precision tools to road-building equipment, from plywood furniture to prefabricated houses.

(*e*) Increased efficiency is expected by two out of three companies engaged in converting, modernizing and expanding their plant facilities.

(*f*) Improved working conditions are anticipated by seven out of every ten plants reporting.

(7) Impressive as these expected accomplishments are, they have to be offset by the closing down of those segments of Canadian industry formerly engaged in production for the war effort and not convertible to peacetime purposes, the labour force laid off in these establishments, the exports of military supplies that were discontinued, and the considerable reduction of Government purchases which at their peak accounted for almost half the country's output. The current *net* position taking account of the decline in economic activity since the discontinuation of production for military purposes and the increase in economic activity due to expanded production for civilian purposes is a comparatively strong one. The process of adjustment of the labour force is materially accomplished and the physical adaptation of the industrial structure from war to peace is practically complete. Current employment of 5 million and a gross national product of some $12·7 billion represent a new peacetime level of economic activity while current unemployment at 2 per cent of the labour force has reached the lowest point in Canada's recorded history. But this is not all. Presently Canadian business is carrying out the largest investment program ever undertaken in this country.

Production, export and employment expectations of businessmen indicate a continuing optimistic outlook for the future. It bears emphasis that the expectations of businessmen as indicated above may not be realized in full. Changes in price-cost structure, a weakening of demand at home and abroad, increased domestic and foreign competition, increased foreign exchange difficulties, changes in the national and international political atmosphere on which large-scale trading greatly depends, are all factors that may either defeat or curtail plans of business to produce the capital and consumer goods needed if the economy is to continue to expand (pp 54-55).

The conclusion of this survey is that the hopes set on an industrial expansion in the immediate post-war period as an offset to production for military purposes have been substantially fulfilled. Canadian industry has come out of the war stronger than ever, better equipped than before, with its efficiency increased, its labour force expanded and equipped with many new skills, working conditions improved, its management more experienced and self-reliant, thus better prepared to meet the uncertainties of the future (pp. 57-61).

CHAPTER I

CONSOLIDATION OF WARTIME INDUSTRIAL EXPANSION

Canada's industry accepted the challenge of maximum production called for by the country's struggle for survival in six years of war by turning out more than twice the volume of goods achieved in the preceding six years. This was accomplished by an industry unprepared for war. It was made possible by the abundance of basic resources, the initiative and organizing ability of businessmen and managers, the skill and co-operative attitude of workers, the ingenuity and inventiveness of scientists, and the aid and co-ordination provided by Government.

Creation of the War Industrial Structure

The most striking feature of the process of expansion was the rapid growth of productive capacity in manufacturing industries, as, for example, in tool-making, chemicals and aluminum.[1] New factories were built, shipyards constructed and armament assembly lines installed. Entire new industries were created, such as for example, roller bearings, magnesium and artificial rubber; many existing industries underwent marked expansion; some industries with relatively small employment before the war attained such a large wartime employment that it was tantamount to the creation of a new industry rather than the expansion of an old one, as for example in aircraft and shipbuilding. Advances were made in the production of finished goods and equipment, some of which were of a type quite new to Canadian industry and had previously been imported, such as optical glass, high octane gasoline, penicillin and sulpha drugs.

The creation of this wartime industrial structure absorbed substantial resources of the country. Between September, 1939, and August, 1945, new business investment in buildings, structures, machinery and equipment, is estimated to have exceeded $4·5 billion, of which some $3·5 billion were either directly or indirectly associated with the war effort. A substantial portion of this investment program was either financed or encouraged by Government.[2] In addition some $800 million were spent on defence construction and about $23·6 billion on war goods of all kinds including munitions, military equipment and military pay, or a total of $28 billion. This is five times the gross national product in 1939.

The large expansion of production facilities for war purposes was accompanied by a redistribution of the working force, the creation of many thousands of new employment opportunities, improved working conditions and increased possibilities for rapid advancement for the enterprising and efficient. The working force, excluding military personnel, increased from 3·7 million to 4·3 million, this being accompanied by a decrease in agricultural employment from 1·2 million to 1 million, and an expansion of non-agricultural employment from 2·5 million to 3·3 million. As most of the military personnel was recruited from the working force, the increase in the working force was achieved by drawing into it large numbers of persons that would not normally be in gainful

(1) *Location and Effects of Wartime Industrial Expansion in Canada, 1939-1944*, Department of Reconstruction, Ottawa, November 1, 1945, pp. 1-2.

(2) Up to V-J Day the Dominion Government spent more than $700 million on industrial plant expansion, of which about 75 per cent comprised wholly owned Crown companies and the remainder war equipment and installations added to private industrial plants. In addition, more than $500 million worth of private war investment was encouraged through special tax credits and special allowances for depreciation and depletion and about a similar amount for tooling costs and related expenditures was allowed to be charged to current expenses. Measures providing tax relief represented wartime variants of special depreciation provisions operative in the transition period and the subject of this report. (For a fuller discussion of these wartime measures, see Chapter II.)

employment. At the peak of the war effort in the fall of 1943, persons engaged directly or indirectly in war work numbered 1·2 million, declining to about half or some 600,000 at V-J Day (August 14, 1945).[1] In effect, then, the number of persons engaged in civilian production was no larger when the war ended than when it started and had been less at the height of hostilities. The increase in the non-military working force of around 16 per cent was accompanied by a 100 per cent increase in wages and salaries, from $2·5 billion in 1939 to $5 billion in 1945.[2]

Without lowering the standard of living of the Canadian people as a whole, and in fact, actually raising it, it was found possible to divert manpower, goods and services to war purposes. At V-J Day some 700,000 Canadians, or 15 per cent of the total working force, were in the Armed Services, and received in pay and allowances more than $1 billion in 1945, against some $32 million paid to military personnel in 1939. Total government expenditures on war goods and services rose from $75 million in 1939 to $4·3 billion in the peak year of 1944, and were $3 billion in 1945, when hostilities ended.[3]

Peacetime Adjustment of War Production Facilities

During 1944, as favourable events brought the conclusion of the hostilities in sight and production of military supplies passed its peak, the question of the peacetime use of the large industrial war structure came to the fore. Three groups of establishments were involved.

(1) *Plants Requiring Modernization, Expansion and Minor Adjustments to Peacetime Production.*—This group included: (*a*) plants in existence at the outbreak of the war which either in part or in full had been turned to war production without requiring much adaptation, as, for example, such light consumer goods industries as primary textiles, clothing, footwear, food, and such heavy industries as base metals, cement and abrasives; and (*b*) new factories or extensions to existing ones designed to produce military supplies which had peacetime counterparts of an identical or similar nature, such as plants producing rubber goods, tools and instruments, plywood and certain building materials, and basic and structural steel plants. The main problem of the older established plants, as peace approached, was one of modernization and expansion of production facilities to achieve greater efficiency and to exploit new designs and materials. New plants, on the other hand, whose facilities were up-to-date, needed only minor adjustments to cope with the changes in production techniques imposed by varying civilian demands.

(2) *Plants Requiring Conversion Involving Major Adjustments to Peacetime Production.*—These establishments included: (*a*) plants in existence at the outbreak of war which had to undergo substantial conversion to produce military equipment; and (*b*) plants built during the war whose peacetime usefulness after further conversion or major adaptation appeared to be assured or was likely to be affected because of their adaptability and favourable location. Some of the latter plants were privately owned, while others were Crown-owned but were made available to industry through sale or lease.[4] This group included plants fabricating a variety of metal products, such as munitions components, radio and communication equipment, electrical apparatus, automotive and other industrial equipment. Many problems of conversion loomed ahead of this group: liquidation of war contracts, financing of conversion, delays in the delivery of new machinery and equipment, adaptation of plant in a period

[1] *Location and Effects of Wartime Industrial Expansion in Canada, 1939-1944*, op. cit., pp. 24-32.

[2] The figures on salaries and wages include supplementary labour income (see *National Accounts, Income and Expenditure, 1938-1946*, Dominion Bureau of Statistics, Ottawa, 1947, p. 4).

[3] Figures on war goods and services include mutual aid (Ibid., p. 3.)

[4] For an account of the disposal process and appraisal of the economic significance of plants turned over to private industry, see *Disposal and Peacetime Use of Crown Plant Buildings*, Department of Reconstruction and Supply, Ottawa, 1948.

characterized by shortages of building materials and manpower and by rising construction costs, selection of new peacetime commodities to be manufactured economically, and efficient organization of new production schedules.

(3) *Plants Not Usable for Peacetime Production, Including Those Dismantled and Kept in Reserve.*—This group of special purpose plants was designed and built during the war to mass-produce specific war materials. With the advent of peace they represented surplus capacity in their particular fields, e.g., shipbuilding and aircraft manufacture. Because of their nature and design they were, in some instances, not convertible to peacetime production. Some of the establishments, such as the chemical, explosive and ammunition-filling plants at Transcona, Manitoba, and St. Paul l'Ermite, Quebec, were of temporary construction and were considered hazardous for peacetime use. Some of these surplus plants remained in operation to supply the peacetime needs of the Canadian armed forces, and, together with others held in reserve, formed the nucleus of a munitions industry should its re-establishment become necessary. The remaining plants—and they are few in number—have been dismantled (or are in the process of being dismantled), the useful machinery and equipment and salvageable material sold, and the remainder scrapped.

It is not possible to give more than a broad indication of the extent of the conversion process. Difficulties of measurement are great and the results that can be attained are only of limited value. Throughout the war period many plants combined production for civilian purposes with filling war orders. Numerous other establishments, most of which were small in size, worked as subcontractors for large war producers, and their conversion problems, where they existed, were correspondingly minor. Any measurement of the conversion problem in terms of the total number of plants and establishments loses a great deal of its meaning because the number of small firms or producers of part war and part civilian goods not in need of conversion would understate greatly the conversion effort undertaken by an important segment of Canadian industry.

Information is available on the conversion effort of a group of some 658 establishments engaged in war production in 1945, employing some 400,000 workers. In terms of plants only some 5 per cent were not usable for peacetime purposes either in full or in part, including those dismantled and kept in reserve (group 3 above). About 39 per cent had to undergo conversion, including major adaptation, to be usable for peacetime production (group 2 above). Of the remaining 56 per cent about half, or 28 per cent, needed modernization and expansion of their facilities, while the other 28 per cent required minor adjustments since they represented newer plants built during the war (group 1 above).[1]

Thus a major portion of Canada's industrial war structure was found usable for civilian purposes, although, in a number of instances, large conversion, modernization and expansion outlay was required. In terms of capital expenditures made, it is estimated that of the more than \$3·5 billion spent either directly or indirectly for war purposes, some \$2·2 billion worth of investment was found readily adjustable for peacetime industrial efforts.[2]

The war then, as a result of a large armament program, saw the emergence of a vastly expanded industrial structure whose productive capacity, if fully used, widened the horizons for creating wealth and comfort for the Canadian people in the years of peace to come.

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[1] This estimate is based on a survey of reconversion, modernization and expansion plans of a group of major plants formerly engaged in war production, conducted in March, 1946 (see *Reconversion, Modernization and Expansion, Progress and Programs, in Selected Canadian Manufacturing Industries, 1945-1947*, op. cit.). The same group of companies was again canvassed in January, 1947. The above figures are based on these two surveys covering 643 establishments and additional information for 15 special-purpose plants whose disposition was either known or anticipated (see also *Disposal and Peacetime Use of Crown Plant Buildings*, op. cit.).

[2] An appraisal of the situation indicated that in most industries two-thirds, in some even a greater proportion, was usable for peacetime purposes. This proportion was of course much lower for the few special-purpose plants that were dismantled either in full or in part. It also bears emphasis that the post-war *use value* of the original investment was considerably less than two-thirds because allowances have to be made for wear and tear (see *Location and Effects of Wartime Industrial Expansion in Canada, 1939-1944*, op. cit., p. 2).

Problems of the Transition Period

In the transition from war to peace, the Canadian economy faced many problems. The physical aspects of the adjustment process called for great technical skill and organizing ability, for it involved the adaptation of plant and equipment, the organization of new production lines, and the assembly of materials and labour. There were also numerous economic problems to be solved that made even more challenging demands on the ingenuity and vision of Canadian businessmen than the technical problems involved. Decisions had to be made on a variety of economic fronts, not all of which were as yet clearly defined. The decision to invest had to be guided by the prospect of adequate returns in the future. The financing of this plant-expansion program had to be assured. The selection of new commodities to be manufactured and the improvement of goods currently or previously produced had to be guided by expectations for their marketability both at home and abroad. Increased efficiency of all factors of production had to be considered to strengthen the competitive position of the enterprise. Long-term plans for research and experimentation had to be laid. Equitable division of the returns of business operations had to be established to assure a smooth and economic functioning of the industrial organization, strengthened by the best possible management-labour relations.

This change-over was taking place under conditions which in some respects were even more complex than those in existence during the war period. As long as the emergency lasted, and as a result of a combination of patriotism and fear, individuals were willing to submerge their own interests and work together with other groups, frequently at personal sacrifice. There developed then a unity of purpose and a sense of solidarity that made possible the outstanding feats accomplished during World War II. But this attitude changed with the arrival of peace. In the absence of any need of such dramatic urgency as the emergency of World War II, the compelling reason to submerge personal interests for group interests gave way to the strong desire to return to freer peacetime markets. This desire for greater freedom in the economic realm was accompanied by a call for greater stability than the economy enjoyed before the war. Improvement of the standard of living expected from continuing high levels of employment and income became an accepted national target.(1) This, it was thought, could be accomplished within the limitations imposed by Canada's dependence on international trade and goodwill by encouraging private initiative as much as possible while at the same time pursuing such governmental policies as would supplement private endeavour to achieve a continuously growing and less fluctuating economy. To make such a target a reality in the years to come, a sense of real responsibility and a philosophy of co-operation among all groups of the economy was needed similar to the spirit that prevailed during the war emergency.

These were the circumstances in which adjustments in the transition period took place. They affected many fronts. Labour had to fit itself into new jobs and different production techniques. Youth was being trained for peace instead of war. Businessmen, who had enjoyed a seller's market during the war and in the immediate post-war period, had to anticipate at some time the change-over to a buyer's market. With the gradual relaxation of Government controls which had been designed to divert the maximum of Canada's resources to the prosecution of the war effort, and with continuing high levels of income, shortages of materials and manpower appeared unavoidable. Prices were expected to move to new high ground, making it necessary for consumers to adjust their family budgets accordingly. A new price structure would in turn effect some re-allocation of the factors of production, thereby influencing greatly managerial decisions. Conditions were fluid in the international field as large and small

(1) See *Employment and Income with Special Reference to the Initial Period of Reconstruction*, Ottawa, April 1945 and *Proposals of the Government of Canada*, Dominion-Provincial Conference on Reconstruction, Ottawa, August 1945.

countries alike struggled to attain economic stability and to find means to live peacefully together. Thus, the end of the war saw the beginning of a new process of adjustment. In this development initial setbacks appeared to be unavoidable, just as mobilizing the economy for an all-out war effort was not accomplished without difficulties and experimentation.

Encouragement of Peacetime Industrial Expansion

The problem of adjustment in the period of transition from war to peace, difficult as it seemed, presented a challenge which Canadian industry, grown in stature, appeared ready to accept. In these circumstances, the Government's attitude towards post-war adjustment of Canadian industry was to create conditions favourable for economic expansion. This attitude, illustrated by a number of measures introduced in the 1944 and succeeding budgets, was expressed concretely in the Government's White Paper on *Employment and Income*, in which a high and stable level of employment and income was declared to be the Government's primary objective. Specifically, it was stated that "the Government will make every effort to create by all its policies favourable conditions within which the initiative, experience and resourcefulness of private business can contribute to the expansion of business and employment."[1]

While many of the Government's fiscal and economic policies were formulated with a view to creating the desired favourable climate for private initiative in the reconversion period, a number of specific measures were adopted to assist directly in the conversion, modernization and expansion of Canadian industry. Most of the steps taken fall into two categories:

(1) Measures designed to speed up liquidation of wartime obligations and the war-created industrial structure through rapid cancellation and settlement of war contracts, disposal of war surplus assets required by industry, and conversion of war production facilities where possible for peacetime use by Canadian industry.[2]

(2) Direct fiscal incentives to encourage industrial expansion pending the revision of the over-all restrictive wartime tax structure to conform to the continuing peacetime needs for the maintenance of a high level of employment and income. Such fiscal aids included:

(*a*) Permission to write off current expenditures for research in the year of expenditure and capital expenditures for research over a three-year period;

(*b*) Extension of the privilege of writing back or carrying forward losses to allow business firms to approach more nearly to an *average* profit basis for taxation purposes;

(*c*) Permission to assign by way of security the refundable portion of the Excess Profits Tax in cases where the funds obtained would be used for capital expansion for post-war business giving desired employment;

(*d*) Granting of a flat tax rate for the first year of operation of newly-established companies, thus exempting them in part from the full taxation load under the Excess Profits Tax Act;

(*e*) Tax concessions to encourage exploration and drilling for oil and exploration and prospecting for base metals and strategic minerals;

(*f*) Removal of the War Exchange Tax and customs duties on certain equipment and machinery items, particularly farm implements.

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(1) *Employment and Income, with Special Reference to the Initial Period of Reconstruction*, op. cit., p. 12.

(2) For summary of measures taken see *Reconstruction*, a pamphlet on the functions of the Department of Reconstruction, Ottawa, 1945, pp. 19-24, and *Employment and Income, with Special Reference to the Initial Period of Reconstruction*, op. cit., pp. 21-23.

(g) Another fiscal incentive, and one that was used extensively, was the provision introduced six months before V-E Day for special depreciation on new investment in industrial plant and equipment of a type that appeared to have both a war and postwar purpose.[1]

The scope and significance of the latter provision designed to encourage industrial expansion in the transition period is discussed in the chapters that follow.

[1] Statutory authority also exists for allowing half of investment and maintenance expenditures to be charged against the income of a previous fiscal period. This provision which is to come into effect by Order in Council represents a potential source of taxation relief.

Chapter II

SPECIAL DEPRECIATION DURING AND AFTER THE WAR

This report is concerned primarily with the scope and administration of the special depreciation provisions incorporated in the Income War Tax Act in 1944 and operative from November 10 of that year to March 31, 1949. These provisions are part of a pattern of legislative and executive aid to assist business in expanding the nation's productive capacity in the transition period. They have grown out of special tax offsets for private investment provided for during the war period.[1] In effect, tax offsets of the war period, taken together, conditioned the economic climate within which post-war special depreciation provisions have operated.

The Meaning of Depreciation

Before discussing the fiscal and economic aspect of this provision some brief explanation is desirable as to the meaning of depreciation and the use of this device in business and accounting practice. To round out the picture, reference is also made to depletion which is a device quite akin to depreciation, though it serves a somewhat different purpose.

The common characteristics of both provisions are that they are allowances for the reduction of value of capital assets either through consumption or service of the asset. The differences that exist are indicated in the definitions given below.

Depreciation, in its widest connotation, is an allowance for wear and tear of man-made capital assets (buildings, structures, machinery and equipment) resulting from the influence of the elements and use over time and for technological obsolescence resulting from economic changes, mainly through the introduction of new inventions and innovations, changes in consumer demands, and the course of trade. It reflects the "life expectancy" of an asset in (1) physical terms, that is, depending on how long it can be used effectively in the technical sense, and (2) in economic terms, that is, depending on how long it can be used profitably.

Depletion is an allowance for the reduction in quantity of natural capital assets caused by consumption as, for example, in the case of mines, oil wells and forests.

Depreciation and depletion allowances have become an accepted device of modern industry for charging capital costs against income over the period of the useful life of the investment. In most instances, no separate funds are set up and monies that, on a bookkeeping basis, are entered as depreciation and depletion charges and appear as a liability in the accounts, are in fact used in business operations and are reflected in the current assets of the

[1] Tax concessions to stimulate investment were made sporadically before the war, mainly to encourage the development of natural resources and the expansion of the transportation system. A more embracing provision was made in 1939 when a "capital expenditure allowance" was introduced for the purpose of expanding the investment activity by industry as a whole. This provision, embodied in Section 90 of the *Income War Tax Act* (R.S.C. 1927, c. 97 as added by 3 Geo. VI c. 46, section 17), permitted investing business enterprises to deduct from the tax that would otherwise be payable under the Act amounts not exceeding in the aggregate ten per cent of capital costs actually incurred and paid in the period beginning May 1, 1939, and ending April 30, 1940, in respect of the construction, installation, betterment, replacement or extension of plant, machinery or fixed equipment, provided such assets are used in the earning of income by the firm. The concession was to be spread equally over the three fiscal years following April 30, 1940, but under certain circumstances could be spread over six fiscal periods ending April 30, 1946. The purpose of this provision was, according to the Minister of Finance, to place Canadian industries "on the most modern and up-to-date basis, enabling them to cut costs, to compete more effectively in both the domestic and the world markets, and thereby to be in a position to maintain prosperous employment for the longer run future." (*Budget Speech* by the Minister of Finance, *House of Commons Debates*, April 25, 1939, p. 3151).

company. In some instances, however, firms earmark these depreciation and depletion reserves specifically as "sinking funds" to be used for the purpose of replacing the assets when, for technical and/or economic reasons, this course becomes advisable. Such funds are usually kept in liquid form by investing them in easily convertible securities.

This practice of making allowance for depreciation and depletion is accepted in modern business taxation procedure. Business firms are allowed to deduct from taxable income depreciation and depletion allowances at rates that vary with the life expectancy of the asset. In the Canadian income tax law, depreciation and depletion allowances are at present set at the discretion of the Minister of National Revenue.[1] According to the practice that has developed, rates vary with the type and life expectancy of the asset. For example, depreciation for buildings will in most instances vary between 2 and 5 per cent of the value of the structure, for ships it may be around 6 per cent, and for most machinery and equipment items depreciation rates are likely to be of the order of 10 per cent.

Depletion allowances will also vary depending on the type of the natural resources used up. In some instances, allowances are based on a certain portion of the income derived from the operations, as in the case of certain metal mines and oil wells. In other instances, an allowance is made on the basis of a fixed amount per unit of production, as, for example, in the mining of some non-metallic minerals and precious metals and logging operations.

In special circumstances, life expectancy may vary for the same assets, e.g., buildings in the northern parts of Canada will not last as long as in the more moderate climate of the southern parts; or the useful purpose of an asset may be more limited in time than its physical life, as was the case with many munitions and armament assembly lines erected in the war period. There are other circumstances where special risk factors involved in investment make it desirable to take into account the possibility of a shortened life expectancy of the assets for economic reasons. This seemed to be the situation for a number of investment projects contemplated in the transition period, when the economic outlook for the future appeared to be uncertain. To cope with problems of this order as they arise, special arrangements have been made in Canada to vary the rates for depreciation allowances and, in some instances, depletion allowances. It was through these techniques that *rapid amortization* of capital assets built or acquired especially for war and/or post-war purposes was made possible. The extent and scope of these measures are discussed in the sections that follow.

Special Depreciation and Depletion in the War Period

During World War II, the Dominion Government, in addition to financing directly a large part of the plant expansion program, encouraged private construction of war production facilities and extension of activity in primary industries by way of special tax credits and special allowances for depletion or depreciation under the Income War Tax Act and/or the Excess Profits Tax Act.

The War Exchange Conservation Act, 1940.[2]—This Act was designed primarily to increase the Canadian supply of foreign exchange. Part III provided that special tax credits and/or special allowances for depreciation or depletion were to be granted to companies that expanded production facilities

[1] *Income War Tax Act*, R.S.C. 1927, c. 97, section 6 (1) as added by 4 Geo. VI c. 34, section 16 (n) and section 5 (1) as amended by 4 Geo. VI c. 34, section 10. The new draft of the *Income War Tax Act*, which received first reading in the House of Commons on July 12, 1947, proposes to reduce the discretionary powers of the Minister in respect to depreciation and depletion allowances by stating that "in computing the income of a taxpayer for a taxation year" a deduction may be made of "such amount in respect of the capital cost to the taxpayer of property, if any, *as is allowed by regulation.*" (First reading of Bill 454, Section 11(1), Subsections *(a)* and *(b)*.)

[2] Act assented to December 6, 1940, 4-5 Geo. VI, c. 2, and amended on June 14, 1941, 4-5 Geo. VI. c. 29.

primarily for the purpose of increasing exports to the United States. Investment projects eligible were of the kind that entrepreneurs were unwilling to undertake because of the uncertainty of adequate returns, but which, if successful, would make expanded exports to the United States possible or would increase the output of domestic resources the product of which would otherwise have been imported from the United States, as, for example, crude oil.

Tax credits, special depletion or depreciation allowances were granted on the basis of agreements concluded between the Minister of Finance and the contracting companies.(1) Investment expenditures approximating $59 million, made mainly by primary industries (mining, lumbering, oil and power) benefited under Part III of this Act between early 1941 and mid-1943. As Canada's foreign exchange position improved no further agreements were concluded. The main benefit derived by individual industries from this measure was to reduce their taxable income by the amount of extra depreciation or depletion allowance granted. While it is not possible to estimate the direct savings accrued to industry from this provision (2) the illustration of immediate tax savings by companies allowed special depreciation for their investment may be illuminating (see Schedule on p. 23).

The War Contracts Depreciation Board.—In order to encourage expansion of war production facilities, accelerated depreciation was granted in respect to capital disbursements for the production of war materials that appeared to "have no reasonable post-war value," and in respect to "capital expenditures incurred under a war contract," defined as any contract or subcontract for war supplies with the Dominion Government, British or other Allied governments. A special board, called the War Contracts Depreciation Board, was set up in August, 1940, (3) and was charged with the specific task of investigating and certifying the eligibility of war investments for accelerated depreciation privileges.(4) Since its inception, the Board has approved accelerated depreciation for investment expenditures of the order of $275 million. Only minor expenditures were approved after December, 1944, but the Board is still reviewing expenditures made throughout the war period. If these expenditures could have been brought under the operation of the Board at the time they were made, they would be certified for accelerated depreciation privileges.

Depreciation by Special Agreements. Special depreciation privileges were granted to the Aluminum Company of Canada on large investment expenditures for a big power development and expansion of production facilities for war purposes.(5) The total outlay amounted to $179·5 million, with contingency allowances varying between 5 and 10 per cent.

Private investment expenditures for which tax concessions, particularly special depreciation, were granted in the war period under the three schemes described above approximated $514 million, of which some three-fifths were estimated to involve outlay for machinery and equipment, and the remainder for the construction of buildings and other installations.

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(1) According to Section 8, Subsection (2) of the War Exchange Conservation Act, copies of these agreements had to be laid before Parliament within 15 days, if Parliament was sitting, or, if Parliament was not sitting, within 15 days after the opening of the next session of Parliament.

(2) There are several reasons for this: varying income brackets of participating companies, different depreciation and depletion rates applying to a period varying in length, changes in the tax provisions applicable to profits after the capital assets have been written off, and the inability to foresee future levels of profits.

(3) The War Contracts Depreciation Board was comprised of representatives from the Department of National Revenue and the Department of Munitions and Supply, with a Chairman from outside the Government Service. The functions of the Board are set out in *Order in Council* P.C. 4217, August 27, 1940, as amended by *Order in Council* P.C. 7121, December 4, 1940. The procedure of approving accelerated depreciation for new investment projects was amplified in the latter phase of the war by the introduction of a "Certificate of Necessity" issued by the Deputy Minister of Munitions and Supply. This was provided for by *Order in Council* P.C. 8593, September 23, 1942.

(4) The term "depreciation" was interpreted broadly to cover, where this appeared to be in the public interest, "amortization" of the capital expenditure (see *Order in Council* P.C. 7121, December 4, 1940).

(5) *Journals of the House of Commons*, 1943-44, Ottawa, January 26, 1944, p. 739.

Special Depreciation in the Transition Period

Provision for special depreciation in the final phase of the war and in the transition period was a fiscal measure to aid enterprises in certain industries to make a variety of capital expenditures at a time when construction and machinery and equipment costs were rising and levels of taxation were high. For projects completed between November 10, 1944, and March 31, 1949, entrepreneurs were given the option of a range of depreciation rates varying between double and one-half of ordinary rates up to 80 per cent of the cost of new investment in buildings, machinery and equipment. This meant that the taxpayer could choose for the "taxation life" of the asset varying depreciation rates until 80 per cent of the asset had been written off. Normal depreciation rates were allowed for the balance. To illustrate: under normal depreciation allowances, expenditures for machinery and equipment would be written off in ten years, but under special depreciation it would be written off in six years, 20 per cent each in the first four years and 10 per cent each in the last two years. For buildings assuming a normal depreciation rate of 5 per cent, special depreciation would make it possible to write off the asset in twelve years (eight years at 10 per cent and four years at 5 per cent) instead of twenty years as under the regular depreciation allowances.[1]

Significance of Provision.—The significance of this income tax deduction, frequently called "double depreciation," was that it permitted companies, while profits and taxes were high, to postpone the taxation on a portion of their profits to a later period when it was understood that taxes would be lower.[2] The purpose of this provision was amplified by the Minister of Finance on June 26, 1944, in his Budget Speech: "First, it will allow the taxpayer to recover a part of his capital whenever earnings are good but will still leave all the income or profit actually realized from the venture over its whole life subject to taxation; second, it will allow him, in respect of such new investment carried out at a time when the Government has declared the conversion and expansion of industry to be desirable, to transfer some of his income from a period when wartime tax rates may still be in effect to a later period when he may expect normal taxation to be lower. To this extent, it will relieve such investment for post-war purposes from such wartime taxation of business profits as may still be in effect at the time the work of conversion or expansion is carried out".[3]

In effect, the provision was designed to lower the tax payments of investing businesses and to reduce some of the risks involved in embarking on large capital expenditures in the transition period when the economic outlook was uncertain. The measure meant that business enterprises would have a better chance of recovery of their newly invested capital even though wartime rates of taxation of profits should be in existence at the inception of the project. There was in this provision assurance to business that, pending the time when it was possible to reduce wartime taxation, new investment, on which Canada depends in large degree for expanded employment, will not encounter fiscal penalties.[4] At the same time Federal revenue was safeguarded by "requiring an adjustment in profit and loss account in the event of subsequent sale of the assets in respect of

(1) The authority for this provision was Section 6, Subsection (1) *(n)* (ii) of the *Income War Tax Act*, R.S.C. 1927, c. 97, section 6 (1) as amended in August, 1946 by 10 Geo. VI, c. 55, section 5 (1) *(n)* (ii) (see Appendix B, p. 99). *Order in Council* P.C. 8640, November 10, 1944, which defined the period in which the investment must be made, amplified the type of capital expenditures and industries covered and the extent and conditions attached to the granting of special depreciation privileges, and *Order in Council* P.C. 1449, April 16, 1946, which extended the time within which the investment project must be completed and applications for special depreciation must be submitted to the Department of Reconstruction and Supply (see Appendix B, pp. 100-104).

(2) The possibility that profits might be lower in the period when the change-over from a seller's market to a buyer's market was accomplished was another consideration. Reduced taxation would achieve added meaning when profit levels declined.

(3) *Budget Speech* by the Minister of Finance, *House of Commons Debates*, June 26, 1944, p. 4182.

(4) *Employment and Income, with Special Reference to the Initial Period of Reconstruction*, op. cit., p. 10.

which special depreciation has been allowed."[1] The proposed measure did not allow income to escape some measure of taxation but it provided for lower taxes over the period as a whole and particularly reduced taxation in the initial years.[2]

The following example illustrates some of the tax reductions that companies were able to achieve in the immediate transition period through the use of special depreciation provisions. To take three companies each having an income before depreciation of $100,000 in 1945 and each having established standard profits of $50,000: The first company having no investment in a new capital project would pay a gross tax (income and excess profits tax) of $65,000, including a refundable tax portion of $8,333, or a net tax of $56,667. The second company making an investment of $250,000, of which $100,000 was for a building and $150,000 for machinery and equipment, would pay, after allowance of normal depreciation rates on new investment, a gross tax of $45,000 or a net tax of $40,667, after deducting the refundable tax portion of $4,333. The third company making the same investment expenditures and being permitted to charge double depreciation would pay a gross tax of $25,000, including a refundable tax portion of $333 or a net tax of $24,667 (for details see Schedule A). The third company would thus be paying $16,000 less in taxes than the second company, and $32,000 less than the first. These amounts do not reflect the full savings by the investing companies using varying depreciation rates because some of the profits, the distribution of which may be postponed, will be subject to taxation at a later date. Since taxation rates in the period following the write-off of the assets are likely to be lower than in the transition from war to peace, tax payments would be reduced accordingly, quite apart from the possibility that lower profits at that time would put the company into a different tax bracket. In the meantime, the companies in receipt of special depreciation approvals were afforded some measure of tax relief which, as the above illustration indicates, could have been sizeable for certain companies.

SCHEDULE A.—HYPOTHETICAL VARIATION IN INCOME AND EXCESS PROFIT TAX PAYMENTS OF A NON-INVESTING COMPANY, AN INVESTING COMPANY USING NORMAL DEPRECIATION AND AN INVESTING COMPANY USING SPECIAL DEPRECIATION, CANADA, 1945

Item No.	Description	Non-Investing Company	Investing Company Using Normal Depreciation	Investing Company Using Special Depreciation
		$	$	$
1	Income before Depreciation	100,000	100,000	100,000
2	Depreciation—Building—Value $100,000	—	5,000	10,000
3	Depreciation—Machinery and Equipment—Value $150,000	—	15,000	30,000
4	Sub-total (items 2+3)	—	20,000	40,000
5	Net Taxable Income (items 1–4)	100,000	80,000	60,000
6	Income Tax	18,000	14,400	10,800
7	Excess Profit Tax*	37,000	30,600	14,200
8	Gross Tax (items 6+7)	65,000	45,000	25,000
9	Refundable Tax Portion	8,333	4,333	333
10	Net Tax (items 8–9)	56,667	40,667	24,667

* On the assumption of standard profits of $50,000.

[1] *House of Commons Debates*, July 13, 1944, p. 4852.
[2] This point was made by the Minister of Finance in his *Budget Speech, House of Commons Debates*, June 26, 1944, p. 4182.

War and Post-War Purpose.—In making the measure effective on November 10, 1944, the provision aimed at (1) enabling such industries as could, because their activities were considered essential, secure necessary materials and labour at this time, "to proceed immediately with such expansion as has both a war and post-war purpose," and thus to qualify such investment projects for special depreciation allowances without awaiting the cessation of hostilities in Europe; and (2) aiding other industries that were "planning post-war expansion, conversion or modernization to prepare their plans without delay so as to be ready to commence work on their plant and equipment as soon as materials and labour are available," thereby enabling them "to commence such work as soon as is compatible with the efficient prosecution of the war and effecting of an orderly transition from a war to a peacetime economy."[1]

The aim of this measure was thus to blend remaining investment requirements for continuing the industrial war effort with preparatory work designed to facilitate the adaptation of the industrial structure from war to peacetime purposes.

Because of the favourable turn of military events in 1944, the section of the provision dealing with war investment projects was not used extensively. Capital outlay for war purposes had passed its peak in 1943 and only little new investment was required towards the end of 1944, confined mainly to industrial adaptation for some specialized armament and munitions contracts on hand. But, at the same time, a large investment program for peacetime adaptation, expansion, and modernization of industry loomed ahead.

Guiding Principles.—The question arose whether, in a time of both manpower and material shortages, special depreciation provisions, together with other regulatory procedures such as controls, allocation and priorities, could be used to encourage particular industrial undertakings that would contribute significantly to strengthening the structure of the Canadian economy in the immediate post-war period. Out of these considerations developed a set of principles which formed the basis for the approval of special depreciation privileges.

(1) *Increased Efficiency.*—Continuing prosperity in this country depends greatly on the ability of Canadian business enterprise to reduce unit costs of production through increased efficiency and the application of the most modern production techniques and management methods. If reduced unit costs could be obtained through new investment, this would mean a higher standard of living at home, in real terms, and an improvement of Canada's competitive position abroad.

(2) *Expanded Exports.*—Because of its specialized resources, this country has in the past depended in a large measure on a substantial volume of exports to maintain a high level of economic activity. Consolidation of the wartime industrial expansion in peacetime was considered important, for it would, among other things, aid Canada in maintaining a large volume of foreign trade.

(3) *Added Employment.*—A great deal of Government-financed employment in war industry and the armed services would disappear with the conclusion of the war. If a high level of employment and income was to be maintained in the period of peace, resources released from the industrial and military war effort had to be absorbed by the expansion of civilian industry. To this end, it was important that a maximum consolidation of gains be made by those industries most directly stimulated by the war. This was particularly true for manufacturing, which in six years of war had in a number of fields more than doubled its capital, employment and physical volume of production to become one of Canada's most important sources of wealth creation.

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[1] *Order in Council* P.C. 8640, November 10, 1944.

(4) *Improved Working Conditions.*—While steady employment and higher incomes were expected to contribute greatly to better management-labour relations, improved working conditions were considered a significant complementary measure. The exigencies of an all-out war effort had made it necessary to postpone many improvements of this type, but the arrival of peace signalled the desirability of proceeding with some of these projects.

(5) *Aiding Particular Areas.*—It was recognized that investment in three kinds of areas should be encouraged, viz., (*a*) localities where transitional unemployment threatened or actually existed; (*b*) communities, particularly smaller towns of one or two industries, where diversification of industry would strengthen the basis for continuing prosperity; and (*c*) outlying areas mainly concerned with the development of natural resources. Fortifying the economic basis of these areas meant, because of their interdependence with other economically stronger centres, a strengthening of the Canadian economy as a whole.

(6) *Strengthening Particular Industries.*—The end of the war brought more serious problems of adaptation for some industries than for others. This was particularly true for industries that were either newly created or greatly expanded during the war, as, for example, the Canadian shipbuilding industry and merchant marine. The shipbuilding industry was expected to contract in the first year of peace to about 50 to 60 per cent of its peak level of activity. Any adaptation of the yards to meet continuing peacetime needs meant an easing of the process of adjustment which this industry faced. The establishment of a Canadian merchant marine in peacetime meant the consolidation of a wartime development that could be of importance to peacetime expansion of Canadian foreign trade. Other special industries in which a high level of production was of particular importance in the transition period because a major part of the economy depended on their output were industries producing basic materials, such as iron and steel and building materials. The success of the investment program depended largely on the volume of output of these industries, so their early adjustment to a satisfactory peacetime basis was of paramount importance in carrying through the expansion of other industries.

The application of these principles to special depreciation procedures was designed to stimulate the development of essential industries, promote a better intra- and inter-industry integration of productive capacity to meet domestic needs or take advantage of promising foreign markets, encourage geographic decentralization where this was economically feasible, and influence in some measure the timing of investment projects in the transition period.

Chapter III

SCOPE AND ADMINISTRATION OF SPECIAL DEPRECIATION IN THE TRANSITION PERIOD

The scope of special depreciation privileges facilitating industrial expansion in the transition period was broadly conceived to cover a wide range of business enterprises and a large variety of investment expenditures. The administration of the measure was kept as flexible as possible to cope with the varying circumstances in the change-over from a war to a peacetime economy.

Industries Eligible

Many industrial expansion and modernization projects had been postponed first in the 'thirties as a result of adverse economic conditions and then during World War II owing to the need for diverting all available resources to equipping war production and the Armed Forces. There accumulated an abnormal amount of capital and maintenance expenditures to be made up as soon as labour and materials became available. With many adjustments necessary in regard to manpower and industrial capacity, it was realized that there would not be, in the transition period, all the labour and materials to satisfy these demands. The aim was, therefore, to facilitate those investment expenditures that appeared to be of "greatest urgency" and to "safeguard them against an inflationary boom which would bring them to an abrupt and abortive conclusion."[1]

Special depreciation provisions were one of the instruments designed to encourage the rapid expansion of certain industries, particularly manufacturing and some primary industries, in the transition period. Other industries, such as service and commercial establishments, were not given the same privileges. This was done in the hope that a number of these enterprises would postpone their investment programs for a year or two—and in some cases even longer—until the re-orientation of the labour force to civilian tasks would be completed and increased supplies of materials would allow an expanded volume of investment activity.[2] The economic reason behind this move was the expectation that, with some postponement of investment plans by service and commercial enterprises, these programs, when executed in a period of declining investment by manufacturing and primary industries, would contribute to a more stable level of private investment—at least for a period of several years.

Among the industries that were encouraged to go forward with their investment programs in the immediate transition period were three major groups:

(*a*) War industries, particularly in the manufacturing field, in need of conversion to turn out peacetime goods;

(*b*) Basic industries which had delayed programs of modernization and expansion during the war and whose output was urgently needed to provide the materials required for the capital expansion program, exports, and the operation of Canada's manufacturing industries;

[1] *Employment and Income, with Special Reference to the Initial Period of Reconstruction*, op. cit., p. 9.
[2] Investment by utilities, commercial and financial groups, agriculture, service and similar industries precluded from special depreciation provisions made up 53·8 per cent of the total investment by business enterprises in 1946, and 57·2 per cent of the investment program forecast for 1947 (see Table XIII, Appendix A).

(*c*) Other industries supplementary to the industrial expansion pressing forward, e.g., the construction industry and industries of importance for Canada's long term economic development, e.g., commercial shipping.

As a result, special depreciation was allowed for a wide variety of basic, processing and manufacturing industries, carrying out all stages of the production process from the raw material to the completed product. Industries covered included mining and woods operations, initial processing of mineral, forestry, agricultural and fishery products, and manufacturing operations covering such fields as the production of iron and steel wares; wire and wire products; tools; cutlery; hardware; heating apparatus; sanitary ware; boilershop products; metal stamping and coating; fabricating structural metal products; steel pipe, fixtures and accessories; machinery of all kinds; transportation, generating and other utility equipment; professional and scientific instruments; stone, clay and glass products; leather and leather products; rubber, petroleum and oil products; chemicals and allied products; paper and paper products; furniture and other finished lumber products; textile products of all kinds; and food products. Special groups of industries whose consolidation in the transition period appeared to be important for reasons given above included shipbuilding, commercial shipping and the construction industry.[1]

Precluded from special depreciation allowances were utility enterprises in the fields of transportation, communication, light, heat and power; laundries; garages; warehousing facilities; and commercial and financial establishments engaged in bridging the gap between producers and consumers.

The distinction between these two groups of business enterprises was not always an easy one because of the occurrence of so-called "mixed enterprises," that is, businesses that combined production or assembly work with services or sales. For example, some companies engaged in assembling machinery and equipment from parts delivered to them by manufacturers were at the same time selling ready-made items received from other manufacturers; other manufacturing companies would build factory buildings or storage facilities and rent capacity in excess of their own needs to others. In such cases, a ruling of the Department of National Revenue was applied whereby special depreciation was approved in all instances where at least 65 per cent of the activities of the enterprise were devoted to manufacturing or other production or assembly tasks, and not more than 35 per cent of activity devoted to commercial or service purposes. In the light of the principles establishing industrial eligibility for special depreciation, the provisions were administered flexibly to assist as large a segment of Canadian industry as appeared possible within the limitations of the resources available in the transition period.

Investment Expenditures Eligible

Special depreciation privileges were accorded "in respect of plant or equipment of such class or classes as may be determined by the Governor in Council built or acquired" between November 10, 1944, and March 31, 1949, if the taxpayer was, "in the opinion of the Minister, making a new investment by building or acquiring the plant or equipment."[2]

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(1) The purpose of special depreciation provisions was described by the Parliamentary Assistant to the Minister of Finance: to encourage "the construction of wealth-producing facilities" in the transition period. (*House of Commons Debates*, August 13, 1946, p. 4770.) This is not to say that investment programs of service or commercial groups were not considered "wealth-producing" in the broad sense of the term but rather indicates the emphasis which was placed on consolidating in the immediate transition period the wartime expansion of Canadian manufacturing and related industries. At the same time the anti-cyclical potential inherent in a partial postponement of investment by private industry indicates the important role which, it was hoped, commercial and service groups could play in the post-reconversion period.

(2) ***Income War Tax Act*, R.S.C. c. 97, section 6 (1) as amended by 10 Geo. VI, c. 55, section 5 (1) *(n)* (ii).**

Two major types of expenditures were covered: (*a*) new investment for the construction of buildings, structures and other plant facilities, and the purchase and installation of certain types of new machinery and equipment, and (*b*) transfers of property covering both existing plants and used machinery and equipment. The distinction was of importance because expenditures of the former type made important demands on the limited resources of labour and materials, while the latter expenditures meant only a transfer of the title to the property. Approval of applications for special depreciation for the purchase of existing plants, machinery and equipment, as long as they fulfilled all other requirements, was not subjected to timing policy. On the other hand, an attempt was made to reconcile approvals for new investment, particularly new construction, with the timing aspects of a general reconstruction policy (see pp. 30-32).

Plant and equipment for purposes of special depreciation approvals covered all capital items customarily classified as such by the Department of National Revenue.[1] A number of assets were specifically excluded, such as plant or equipment acquired outside Canada; patents; good will; intangible rights, incorporeal hereditaments; lease-hold interests in land, buildings, machinery or equipment; office equipment and furnishings; residential buildings and related equipment; furniture and furnishings; buildings used for commercial or financial purposes; automobiles, trucks and buses; railway rolling stock; a building used by a person other than a taxpayer or a building that was built and in existence prior to November 10, 1944, unless used by the taxpayer for a business substantially different from that carried on previously or unless the building was purchased by the taxpayer from War Assets Corporation; certain mining property entitled to tax exemptions under Section 89 of the Income War Tax Act or Section 7, paragraph (*g*) of the Excess Profits Tax Act, 1940; and property for which special depreciation or accelerated depreciation had already been granted.

Some marginal cases occurred as, for example, workers' living quarters attached to a plant. In such instances, projects which formed an integral part of the business enterprise and were essential to its operation were generally considered eligible for a grant of special depreciation privileges.

Timing of Capital Expenditures

Special depreciation provisions became effective November 10, 1944, and were first limited to projects commenced on or after that date but completed before December 31, 1946.[2] The period was extended first to March 31, 1948, and later to March 31, 1949, with the proviso that all applications for special depreciation had to be filed with the Department of Reconstruction and Supply before March 31, 1947.[3] Since the special depreciation provision was designed only as a transitional measure to aid in the conversion, modernization and expansion of industry, its purpose appeared to be accomplished as the reconversion period gave way to a period of long-term adjustment of Canadian industry to changing domestic and foreign markets.[4] With regard to investment projects commenced before November 10, 1944, or completed after March 31, 1949, the special depreciation privilege was extended to such expenditures on plant and equipment as were made within the period, with ordinary rates of depreciation chargeable to expenditures

(1) *Order in Council* P.C. 8640, November 10, 1944, provided that "plant and equipment means such property as the Minister of National Revenue may, by regulation, prescribe." In the Regulations made pursuant to this *Order in Council*, the Minister of National Revenue specified as eligible for special depreciation "only plant or equipment (*a*) built, or (*b*) acquired *and* installed in place as an integral part of the project *in* the period" fixed by *Order in Council* (see Appendix B, p. 100).

(2) As an alternate date, *Order in Council* P.C. 8640, November 10, 1944, provided for "two years from the day on which organized hostilities between Canada and Germany cease wholly or substantially, whichever is the earlier."

(3) *Order in Council* P.C. 1449, April 16, 1946, Press Release No. 37, Department of Reconstruction and Supply, April 29, 1946, and *Order in Council* P.C. 2804, July 18, 1947 (see also p. 104 of this report).

(4) A sample survey conducted by the Department of Reconstruction and Supply of 643 industrial establishments formerly engaged in war production showed that well over four-fifths of the reconversion of plant and equipment had been completed by the end of 1946, and that all but a small part would be completed by the middle of 1947.

made outside the period. Special depreciation was also approved for *installation* costs of plant and equipment built or acquired prior to November 10, 1944, even though the building or acquisition costs of the asset itself were not eligible.

Basically, special depreciation provisions were designed not only to encourage a particular type of investment but also to influence in some measure the timing of these expenditures. The provision was not a measure of control but rather an instrument of persuasion and guidance. As such, its effects were limited, for business enterprises that wished to go ahead without making use of special depreciation privileges could do so if they could obtain supplies.(1) Those businesses desirous of obtaining the benefits of this provision were subject to some guidance in terms of timing by tying approvals to a suggested date of commencement of the investment project.

In administering the timing aspects of this provision, two periods can be distinguished:

The first was from November 10, 1944, to December 4, 1945, while Construction Control was in existence.(2) During this time, the special depreciation provision was used as a supplementary instrument to Construction Control in that certification of new construction, structural improvements or installations were granted only in cases where construction licences had been approved. Special depreciation was generally granted for the acquisition of new or used machinery and equipment and existing plants and structures, but where labour and material shortages counselled the postponement of a construction project, the applicant was advised to do so. Frequently, he was given authority to order machinery and equipment for which delivery dates ranged from three months to a year and was advised to apply again in three to six months for special depreciation with regard to the construction expenditure. This was done in the expectation that an improvement in the labour and material supply would make the execution of the construction project feasible at a later date. In areas where comparatively large unemployment threatened as the result of cancellations of armament and munition contracts, construction licences and special depreciation were generally granted to minimize as much as possible dislocations in the labour market during the transition period.

The second period commenced with the abolition of Construction Control in early December, 1945,(3) and ended on March 31, 1947, the expiry date for applications for special depreciation submitted to the Department of Reconstruction and Supply. Towards the end of 1945 and in the beginning of 1946, output of building materials increased in a number of lines. At the same time, large-scale demobilization was swelling the ranks of the civilian labour force, thus increasing the available labour supply. This increase in resources, however, was more than offset by a substantial expansion in investment plans contemplated by business enterprises for 1946. The intended investment volume for this year was forecast to be some four-fifths higher than actual accomplishments in 1945.(4)

(1) This applies to the period after abolition of Construction Control on December 4, 1945.

(2) Some measure of construction control had been vested early in the war in the Priorities Officer of the Department of Munitions and Supply (see *Orders in Council* P.C. 1169, February 20, 1941, and P.C. 3481, May 16, 1941, as amended by *Orders in Council* P.C. 3634, May 21, 1941, and P.C. 4320, June 17, 1941). These functions were turned over to the Construction Controller by *Order in Council* P.C. 6656, August 26, 1941, and amplified by *Order in Council* P.C. 660, January 30, 1942, as amended by *Orders in Council* P.C. 11283, December 16, 1944, P.C. 9833, December 28, 1943, and P.C. 3, January 4, 1944. These provisions made it mandatory to obtain a construction licence for any job involving the installation of equipment in a plant, and construction, repair, alteration, or addition to any plant, building or structure, exceeding $5,000. Construction licences were issued in the light of available construction resources, with priority being given to projects that had a war purpose. Because of manpower and material shortages many construction projects that appeared to serve peacetime purposes only had to be postponed during the war period.

(3) Construction Control was abolished by *Order in Council* P.C. 7237, December 4, 1945. Some measure of control was maintained through the establishment of a building material priorities system, commencing in August, 1945, and amplified by *Order in Council* P.C. 1609, April 23, 1946. This Order empowered the Priorities Officer of the Department of Reconstruction and Supply, among other things, to "prohibit, control and regulate the making of, or dealing in, construction materials." Priority assistance for building materials was provided for Government-approved construction projects, mainly military hospitals and veterans housing projects (see *Housing in Canada*, Central Mortgage and Housing Corporation, Ottawa, January, 1947, pp. 17, 18 and 42; April, 1947, pp. 15 and 44; July, 1947, pp. 15, 41 and 64).

(4) Investment plans of all business enterprises excluding residential real estate, were forecast at $952 million for 1946, as compared with actual estimated expenditure of $516 million in 1945. Because of supply difficulties actual investment plans realized in 1946 were lower, estimated to amount to $823 million (see *Capital, Repair and Maintenance Expenditures of Business Enterprises in Canada, Forecast 1946*, Ottawa, September, 1946, p. 14, and *Forecast of 1947 Investment by Canadian Business*, Department of Reconstruction and Supply, Ottawa, March, 1947, p. 7).

The situation in Spring, 1946, was summed up thus by the Minister of Reconstruction and Supply:

"For a time I was pleased with the rate of expansion. Today I am rather alarmed by it. It seems to me that the expansion is coming too rapidly and that we shall face an insoluble problem of shortages of material as well as shortages of manpower when the program now under way comes into full production."(1)

Production of building materials during Spring to Fall, 1946, remained behind expectations. In some instances, industrial disputes caused declines in output. In others, the lack of raw materials or skilled mechanics made full use of productive capacity impossible. As a result, and in order to make possible an increased flow of available materials to go into housing construction, the period for completion of industrial investment projects for which special depreciation had been granted was extended to March 31, 1948.(2)

In summer, 1946, the Minister of Reconstruction and Supply emphasized again: "The need for housing is so great that it is desirable that industrial projects should be limited to those which are urgent from the point of view of employment." It is hoped, said the Minister, that the extension of the qualifying period for "double depreciation" will permit "the postponement of some projects which involve extensive construction until the supply situation is less acute. Extension of the period for double depreciation is expected to have a salutary effect on residential construction."(3)

In this period, special depreciation approvals were given to the acquisition of new or used equipment and existing plant facilities. With regard to most new construction undertakings, applicants were advised that the same privilege could not be accorded to them at this time because of the existing shortages of labour and materials. Approvals for special depreciation for the construction portion of capital expenditure were in these cases made dependent on the postponement of the project until the end of 1946.

As industrial unrest subsided in the last quarter of the year and prospects for increased production of building materials in 1947 improved, many of the deferred applications were approved with regard to the construction portion. This started in October, 1946, and continued for several months. This timing policy is reflected in figures on approvals for special depreciation for new construction and commencement intentions of construction projects (see Tables I and II, Appendix A).

Many business enterprises, cognizant of conditions in the building trade and aware of the difficulties that they would face if they were to embark on large capital expenditures in 1945 or 1946, postponed the execution of their projects in part or in full to 1947 or 1948. As a result, the largest number of requests for special depreciation ever received were submitted to the Department of Reconstruction and Supply in March, 1947, the last month in which applications could be made.(4) Because of the large number of requests, approvals of these applications were spread over several following months with the last approvals being made in June, 1947.(5)

In those few months of spring 1947 the volume of industrial investment expenditures approved was so heavy—about half of the total approved during two and a half years of operations—that the execution of this program in the short space of one construction season was likely to offset the forces operative in the direction of bringing supply and demand of construction material and labour into balance. Further, great pressure for increased industrial construction

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(1) *House of Commons Debates*, March 20, 1946, p. 115.

(2) *Order in Council* P.C. 1449, April 16, 1946.

(3) *House of Commons Debates*, July 22, 1946, p. 3674.

(4) Another reason was an attempt of applicants to get most recent cost figures, an important consideration in times of rising prices.

(5) In all these cases approvals were dated back to March 31, 1947.

would drive rising building costs even higher and act as a further deterrent to a continuing high level of housing construction. Accordingly, in order to spread the large industrial investment program over a longer period, the final date for completion of projects for which special depreciation had been approved was extended to March 31, 1949.(1)

New Provisions

As transitional special depreciation provisions for industrial expansion drew to a conclusion, new provisions were made for two types of capital expenditures in need of further encouragement:

(*a*) To stimulate the construction of rental housing during the next few years, depreciation at the option of the taxpayer of not more than double or less than one half the rates normally allowed in respect to rental housing projects built or acquired between March 31, 1947, and December 31, 1949, was provided. This incentive applies only to types of rental housing approved by Central Mortgage and Housing Corporation and has the effect, where this is desired by the taxpayer, of doubling standard rates of depreciation for these projects for a period of ten years.(2)

(*b*) Because the shipbuilding industry and commercial shipping had become important to the Canadian economy as a result of the war, and the completion of the shipbuilding program under way was being delayed by shortages, particularly steel, special depreciation provisions were extended to cover ships acquired from War Assets Corporation or built in Canadian shipyards in the period from April 1, 1947, to December 31, 1949. Ships or parts thereof completed in this period are eligible for special depreciation.(3)

Procedure

The development and administration of special depreciation provisions for industrial expansion in the transition period was the result of interdepartmental cooperation of three Departments of the Federal Government.

The plan was sponsored by the Department of Finance,(4) which, after the statutory authority of the provision had been granted, continued in an advisory capacity.(5)

The integration of the scheme with the general reconstruction program was entrusted to the Department of Reconstruction, later the Department of Reconstruction and Supply.(6) A Committee on Special Depreciation was set up in the Department to examine the eligibility and merit of each application (7) and the significance of the proposed investment project in relation to the economic development in the transition period. The capital expenditure program was subject to guidance with regard to timing where this was considered desirable in the interest of a smooth transition from war to peace. If satisfied, the Depart-

(1) *Order in Council* P.C. 2804, July 18, 1947, gave as specific reasons for the extension by one year of the completion period "the existing policy of giving priority to housing and in view of the continued short supply of various types of equipment and building materials" (see Appendix B, p. 104).

(2) Basic requirements for rental projects qualifying for special depreciation include: *(a)* project must have four or more rental units; *(b)* rentals charged must be under \$70 per month on a standard 4-room unit, with the rent for units varying from this base to be adjusted accordingly; *(c)* veterans' preference for occupancy of completed units; and *(d)* project must average at least 1·75 bedrooms per unit (see *Order in Council* P.C. 1095, March 25, 1947, Appendix B, p. 107, and *Housing in Canada*, op. cit. April, 1947, pp. 15 and 16, and July, 1947, pp. 15 and 42).

(3) *Order in Council* P.C. 2487, June 24, 1947 (see Appendix B, p. 110).

(4) *Budget Speech* by the Minister of Finance, *House of Commons Debates*, June 26, 1944, p. 4181.

(5) See *Orders in Council* P.C. 8640, November 10, 1944, P.C. 1449, April 16, 1946, P.C. 1095, March 25, 1947 and P.C. 2487, June 24, 1947.

(6) The Department of Reconstruction and Supply, created by statute proclaimed on December 24, 1945 (9-10 Geo. VI, c. 16), was the result of a merger of the Department of Munitions and Supply, established in April, 1940, and the Department of Reconstruction, provided for by legislation passed in June, 1944. Both departments had been headed by the same Minister and the amalgamation was designed to integrate the Government's effort to facilitate the transition from war to peace.

(7) One application had to be filed in respect of each project but applicants were permitted to submit a number of applications. Detailed information was required on the type of intended investment expenditures and their economic significance, particularly their effect on employment, production, exports, efficiency of operations and improvement of working conditions.

ment issued a certificate advising the Department of National Revenue that the application for special depreciation met the requirements set out in Orders in Council P.C. 8640/1944 and 1449/1946.

The Department of National Revenue then, upon request by the applicant(1), considered the final granting of special depreciation, after examining whether the actual expenditures made were in conformity with the provisions and regulations issued (see Appendix B, pp. 105-106). Depreciation commenced for tax purposes as and from the date the plant and equipment were put into actual operations in the earning of the income. Depreciation was not allowed during the course of construction or during the period before actual operation. The decision of the Department of National Revenue as to whether special depreciation was allowable or not and the amount for which it was granted was final. This was in line with the ruling of the Income War Tax Act, which provided that depreciation allowances for investment expenditures were at the discretion of the Minister of National Revenue.

(1) Each applicant had to file a Capital Expenditure Depreciation Form (C.E.D.) with the Inspector of Income Tax for his district within six months of the completion of the project or before the due date for the filing of income tax returns in respect of the year in which the project was completed, whichever was last in time. Where these dates were not kept, only normal depreciation was allowed. If, in the process of executing the project, the applicant found that actual costs were exceeding estimated cost by more than 10 per cent if the total expenditure was $100,000 or less; or 15 per cent if the total expenditure varied between $100,000 and $500,000; or 20 per cent if the estimated cost exceeded $500,000, he was obliged to apply again to the Minister of Reconstruction and Supply for a certificate for the additional amount. In practice, the Department of Reconstruction and Supply withdrew the old certificate and issued a new one for the aggregate cost of the project. This method employed accounts in part for the differences between gross and net approvals of applications for special depreciation shown in Tables I and II in Appendix A.

CHAPTER IV

EXTENT AND ECONOMIC SIGNIFICANCE OF ASSISTED INDUSTRIAL INVESTMENT

Considerable data are available to indicate the extent and type of industrial investment that made use of special depreciation provisions in the transition period, and to illustrate some of the more important economic effects that these investment projects are expected to have, both directly, through the process of making the expenditures, and indirectly, through extension of industrial productive capacity with its long term implications for an improvement of the standard of living of the Canadian people. But in considering the analysis presented here, several important qualifications have to be borne in mind.

The sections that follow indicate the significance of that portion of investment expenditures currently undertaken or contemplated by industry for which significant economic information was obtained through special depreciation procedure. It would have been preferable to have obtained this type of information for all business investment instead of covering only two-fifths of total activity but in the absence of over-all data, the analysis of the economic significance of an important segment of industrial investment presently under way illustrates the direction and, in some measure, the diversification of the Canadian industrial effort in the transition period.

It bears emphasis that the data shown do not reflect the amount of investment either attributable to or induced by the granting of special depreciation and no causal relationship can be established between the volume of investment undertaken and the fiscal aids provided.

This fiscal aid, it must be remembered, became only meaningful under the special circumstances prevailing in the immediate post-war period, characterized by a large accumulated backlog of investment, high levels of demand by far exceeding immediate productive capacity available, high taxes and the expectation of reduced taxes, both personal and corporate, as defence and demobilization expenditures were being curtailed. Since this country has never before experienced a similar set of circumstances with an investment program under way without such fiscal aids as special depreciation, it is impossible to draw parallels with past experience and venture a reasonable guess as to the probable investment-inducing effect of this particular type of taxation-reducing incentive.

What probably has had the most important effect on the volume of industrial investment undertaken in the transition period was the availability of materials and manpower to build and improve the structures and installations required and to produce the machinery and equipment needed for the conversion, modernization and expansion of existing plant facilities. For industrial enterprises that had to go ahead with their investment plans in order to make production possible and/or achieve greater efficiency, and that were able to secure the necessary materials, manpower, machinery and equipment, tax concessions in the form of special depreciation were a welcome relief. Where the approval of special depreciation in full or in part depended on making the investment expenditures at a time suggested by the Dominion Government, the incentive to save a proportion of taxes payable proved strong enough for a number of companies to conform to the proposed timing schedule. On the positive side, special depreciation meant tax relief to a group of industries of particular significance in the transition period, at a time when taxes were high and the economic outlook was uncertain. On the negative side, where this or other tax reliefs

were not granted, continuing high taxes in the immediate post-war period, accompanied by rising costs, made it desirable for a number of industries to postpone that part of their investment program that did not seem absolutely necessary to a later period when lower taxes, reasonable cost levels of capital goods, and a brighter economic outlook might prevail.

Broadly speaking, then, the main aim of fiscal measures in the transition period, of which special depreciation provisions were only a small part, was to encourage investment up to the productive capacity of the country. An uncertain economic outlook, with continuing high levels of taxation and rising investment costs, could have caused hesitancy on the part of business to proceed with the large investment program needed to gear the economy for maximum peacetime production in a short space of time. Early in the reconversion period Canadian business showed great confidence in the future and very quickly launched a comprehensive industrial investment program of plant conversion, modernization and expansion. It was then appreciated that special depreciation could be used for another purpose than originally contemplated. Consequently, special depreciation was used in the latter period of operation, when the volume of investment was approaching a high level, as an instrument of persuasion for entrepreneurs to postpone some of their investment projects to a later date.

It is against this background that the quantitative appraisal presented in this chapter should be understood. The analysis that follows is limited in that it is confined to an appraisal of the volume and significance of investment for which economic information was available through special depreciation procedure. To emphasize again, it is not suggested that the volume of investment analysed here is the result of special depreciation. The following statement simply deals with that portion of investment activity that took advantage of special depreciation provisions.

Volume of Special Depreciation Approvals

Special depreciation for an anticipated investment expenditure of $1·4 billion, covering 8,054 projects undertaken by 4,212 companies, involving 4,842 plants and establishments, was approved during the period of operation of the provision. Broadly, about two-fifths of all business investment undertaken in the transition period has been or is making use of special depreciation provisions. The volume of investment by business enterprises between 1945 and 1948 inclusive is likely to exceed $3·5 billion. This compares with business investment (including government-financed war plant expansion) of $4·5 billion during six years of war (no allowance being made for price changes).

The bulk of investment expenditure with approved special depreciation involving $1·2 billion was for construction and improvement of plants and acquisition of new machinery and equipment, and the remainder was for the purchase of existing property, such as buildings, installations, and used machinery and equipment.

About $232 million of industrial investment of all kinds were approved in 1945, some $377 million in 1946, with the largest amount, about $845 million, being granted in 1947 (see Figure 1). In the first two years, approvals comprised only 42 per cent of the total, with the bulk, or 58 per cent, postponed until 1947 (see Summary Table 1 and Table I, Appendix A). Applicants were requested to state the approximate date of the commencement of the investment project, that is, the date of proposed start of on-site operations, in the case of construction, and the date of purchase for the acquisition of machinery and equipment and other industrial property. On this basis, figures show that it had been originally the intention of business enterprises to commence operations for about the same

volume of investment projects in each of the years 1945 to 1947 inclusive (see Summary Table 2 and Table II, Appendix A).[1] As later events turned out, however, most companies found it difficult if not impossible to carry out their initial investment intentions.

SUMMARY TABLE 1.—GROSS AND NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949*

Year	$ millions	Per cent
1945†	232	16
1946	377	26
1947	845	58
Total Gross Approvals	1,454	100
Cancellations, Reinstatements and Adjustments	62	—
Total Net Approvals	1,392	—

* Approvals relate only to the period November 10, 1944 - March 31, 1947, but the scheme is in operation for the period November 10, 1944 - March 31, 1949.
† Including November and December, 1944.

SUMMARY TABLE 2.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY DATE OF COMMENCEMENT INTENTIONS, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

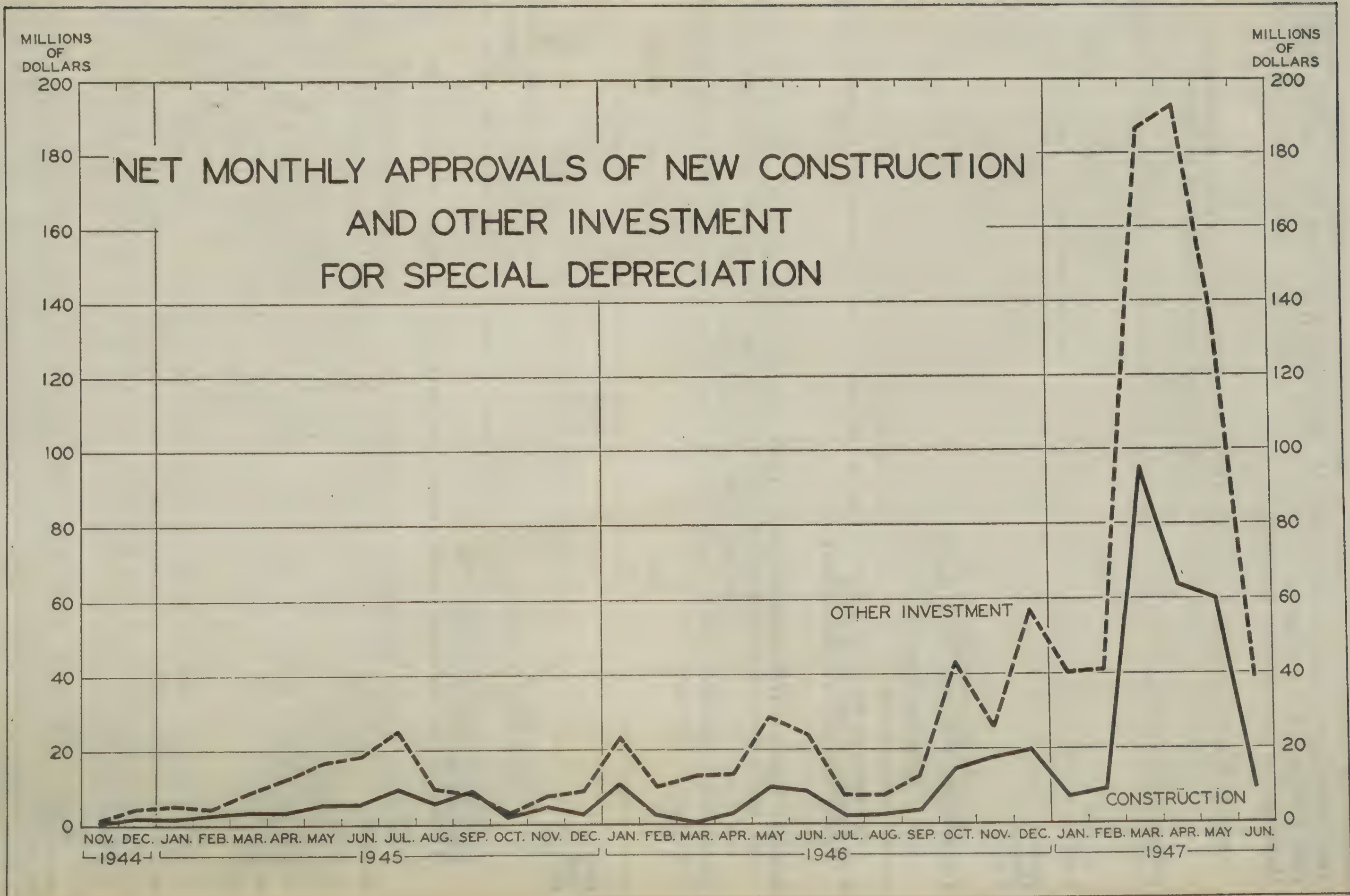
Year	$ millions	Per cent
1945‡	475	34
1946	420	30
1947§	497	36
Total Net Approvals††	1,392	100

‡ Including November and December, 1944.
§ Including January to March, 1948.
†† Material shortages and delays in delivery caused a considerable revision of original investment schedules.

In many cases, where delivery dates for new machinery and equipment had been set at three to six months, these had to be extended to six months to a year—and in some cases even longer—because of labour and material shortages. Supply bottlenecks and lack of skilled building mechanics frequently held up construction and expansion of plants. Some of the 1946 investment intentions were also frustrated by industrial disputes that in their entirety could scarcely have been foreseen when the individual companies drew up the timing schedules for their capital expenditures in the transition period. As a result, a sample of 375 leading companies in Canada showed that new investment actually achieved during 1946 amounted to only about 75 per cent of that forecast by these companies earlier in the year. As anticipated repair and maintenance expenditures were fully achieved, there was an 86 per cent realization of total

[1] Figures in Summary Table 2 which show net approvals of applications for special depreciation by date of commencement intentions for 1945 and 1946, indicate a larger volume than gross approvals for the corresponding period shown in Summary Table 1. There are several reasons for this: A number of construction projects which had been proceeded with in 1945 on receipt of a construction licence were given approval for special depreciation in 1946 and 1947. A number of other nvestment projects, particularly the acquisition of new machinery and equipment and the transfer of existing industrial property and ships, were granted special depreciation dated back to November 10, 1944, even though application might have been made in 1946 and 1947, provided that the project fulfilled all the requirements for the granting of special depreciation and was not subject to the timing procedure. This was done in order to afford equal facilities to all companies operating under similar risk factors.

FIGURE I



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capital, repair and maintenance expenditures.(1) To give another example: sample surveys of some 643 companies formerly engaged in war production, made in February, 1946, and again in January, 1947, showed that approximately 40 per cent were in need of reconversion at the end of the war.(2) While the reconversion effort was close to schedule up to March, 1946, the period between March and the end of the year was marked by delays. Some 60 per cent of the plants failed to maintain the rate of progress they had expected to make in the spring of 1946. In January, 1947, all but 8 per cent of reconversion work was expected to be completed by mid-1947, and most of what remained would by then be integrated into modernization and expansion programs.

Regional Distribution

While special depreciation approvals covered only about two-fifths of all business investment, it covered a considerably higher proportion, namely, some four-fifths of manufacturing investment. Although special depreciation data are not complete, they provide the most detailed information available on the subject. It should be remembered that the figures do not cover such business enterprises as commercial, service, agriculture and utility groups and for the industries covered a number of firms did not take advantage of special depreciation provisions or could not do so because the specific type of investment item was not eligible for special depreciation privileges, e.g., purchases of trucks, buses and office equipment. This qualification should be borne in mind in considering the regional and industrial distribution of investment expenditures with approved special depreciation.

The largest investment outlay, $605 million, was approved for Ontario industries, followed by Quebec with $509 million, and British Columbia with $165 million. Proportionately to population, however, British Columbia appears to be the leading province in industrial expansion.(3) On a per-thousand population basis, British Columbia was spending $157,000, Ontario $144,000, and Quebec $137,000. Another interesting feature of the regional distribution of

SUMMARY TABLE 3.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION BY PROVINCES IN ORDER OF MAGNITUDE OF EXPENDITURE, TOTALS AND PER 1,000 POPULATION BASIS, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Province	Total Approvals $ millions	Per 1,000 Population* $ thousands
British Columbia†	165	157
Ontario	605	144
Quebec	509	137
New Brunswick	37	76
Nova Scotia	27	44
Alberta	27	32
Manitoba	15	20
Prince Edward Island	1	11
Saskatchewan	6	8
Canada‡	1,392	111

* Based on a population estimate as of 1947.
† Including Yukon.
‡ Excluding Northwest Territories.

(1) *Forecast of 1947 Investment by Canadian Business*, op. cit., p. 6.
(2) Results of first survey are to be found in *Reconversion, Modernization and Expansion, Progress and Programs in Selected Canadian Manufacturing Industries, 1945-1947*, op. cit., particularly at p. 17.
(3) The situation is somewhat different if new investment expenditures only (i.e. excluding transfer of property) are considered. On this more limited basis Ontario leads before Quebec and British Columbia (see Table IV. Appendix A).

industrial expansion plans brought within the scope of special depreciation was the fact that the Maritime region showed greater activity than the Prairie region[1] (see Summary Table 3 and Tables III and IV, Appendix A).

Location of industry is guided by many factors—availability of raw materials, adequate supply of manpower, cheap transportation facilities and hydro-electric power, closeness to markets, and a variety of psychological factors from traditional attachment to established localities to a drive for pioneering in new places. These forces at work are reflected in the large number of industries either expanding or newly coming into existence in Canada from the Atlantic to the Pacific. To illustrate: Industrial expansion in the Maritimes has made greatly increased demands for fuel. As a result an oil company decided to put up a $7 million refinery to establish itself close to the market. The growth of the secondary textile industry in the Province of Quebec during the war has brought into focus the need for a corresponding growth of a primary textile industry to supply Canadian textile manufacturers with Canadian produced raw materials. With an eye to the future, a Quebec company is investing $12 million in building a textile mill to manufacture staple fibres, hitherto imported from abroad. Further integration and improved use of Canada's resources is reflected in the investment plans of one Ontario steel company which intends to spend some $6 million for the production of metallurgical coke and the recovery of by-products which in the past remained unused. Expanded use of Canadian resources is also reflected by the investment plans of a paper company in Ontario which intends to spend $17 million on a new plant to produce sulphate pulp in the northern parts of the province, thereby creating a new community in virgin wilderness. A case in point for an industry being established near the source of supply is the erection of a sugar beet plant costing $4 million in a farming area in the Prairies. Another instance of greater utilization of Canada's natural resources is shown by one British Columbia firm which is embarking on a $6 million industrial investment program to utilize waste materials from presently operating pulp mills.

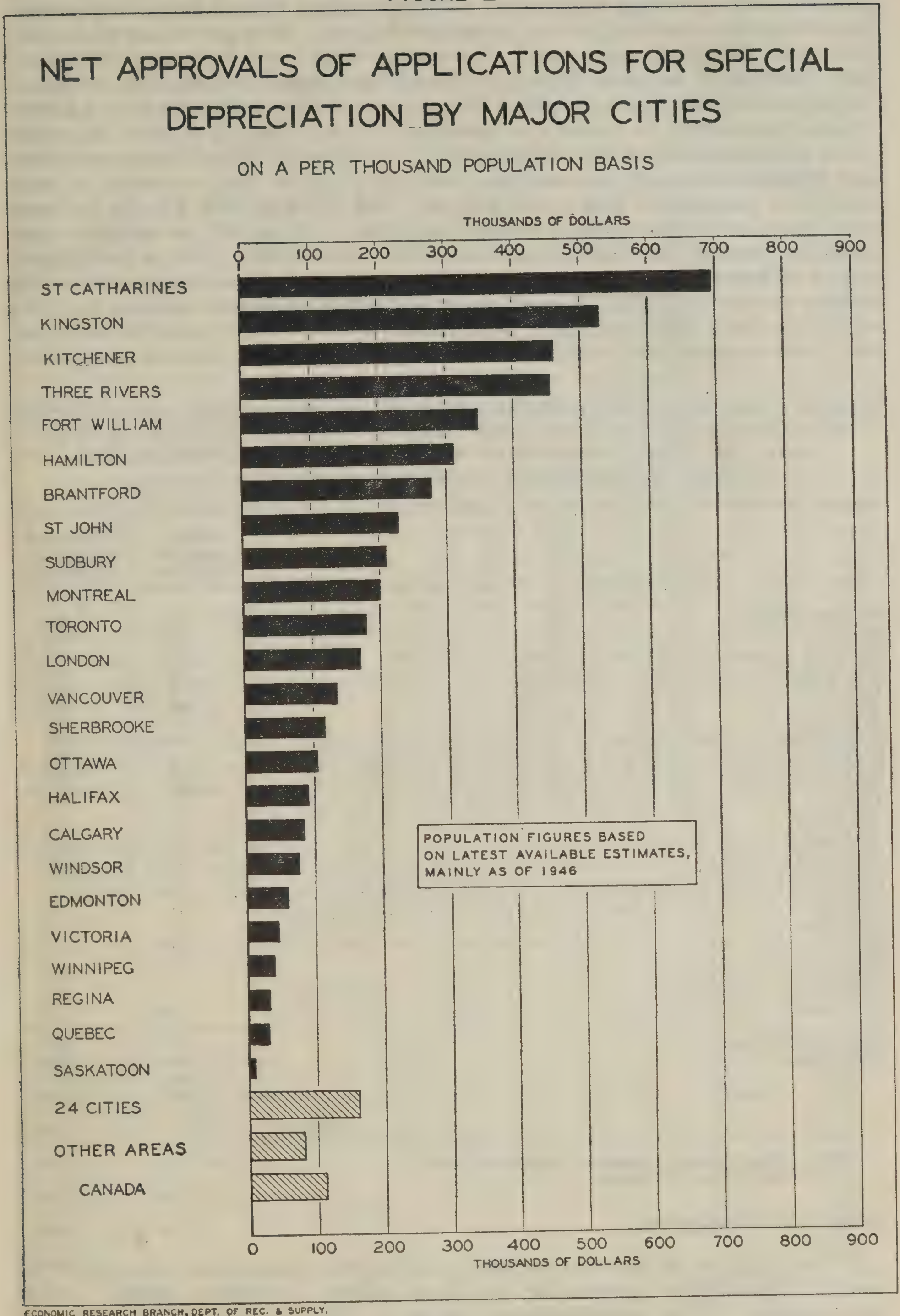
But not only is there industrial expansion at home but the need for shipping a great deal of Canada's produce, raw and processed materials, and manufactured goods to other countries has led to the expansion of Canada's peacetime merchant marine and improvement of service to the United Kingdom, Western Europe, the Middle East, the Union of South Africa, the West Indies, and the Far East.

All parts of the country are thus participating in the present drive towards further industrialization of Canada. Though the different regions and communities are participating to a varying degree, depending on their natural resources, availability and skill of manpower, initiative of entrepreneurs and economic prospects, Canada's industrialized urban communities have a major share in this development.

Among the cities, Greater Montreal heads the list, with a contemplated investment expenditure of $247 million. Toronto follows with $172 million, Hamilton with $61 million, and Vancouver with $58 million. But again an entirely different picture presents itself if expansion proportionate to population is considered. On a per-thousand population basis, St. Catharines is the leading city with $695,000, mainly due to expansion of industrial capacity in the fields of iron and steel products, textiles and food processing. The second city is Kingston, with $528,000 per thousand population, as a result of large expansion in the production of aluminum and chemical products and transportation and railroad equipment. The next two cities in rank are Kitchener, with $461,000, and Three Rivers, with $456,000. The former city is experiencing

[1] Regional comparisons as given here are only roughly indicative of trends in economic expansion. Special depreciation provisions were not equally available to all industries, so regions and cities did not have equal opportunities to bring their investment outlays within the scope of the provisions.

FIGURE 2


NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION BY MAJOR CITIES
ON A PER THOUSAND POPULATION BASIS
THOUSANDS OF DOLLARS
0
100
200
300
400
500
600
700
800
900
ST CATHARINES
KINGSTON
KITCHENER
THREE RIVERS
FORT WILLIAM
HAMILTON
BRANTFORD
ST JOHN
SUDBURY
MONTREAL
TORONTO
LONDON
VANCOUVER
SHERBROOKE
OTTAWA
HALIFAX
CALGARY
WINDSOR
EDMONTON
VICTORIA
WINNIPEG
REGINA
QUEBEC
SASKATOON
24 CITIES
OTHER AREAS
CANADA
POPULATION FIGURES BASED ON LATEST AVAILABLE ESTIMATES, MAINLY AS OF 1946
ECONOMIC RESEARCH BRANCH, DEPT. OF REC. & SUPPLY.

rapid industrial development in the manufacture of rubber goods, sheet metal products and industrial equipment, while the latter city is expanding greatly its cotton goods manufacture and paper production. On a per-thousand population basis, Montreal ranks tenth, Toronto eleventh, and Vancouver thirteenth (see Figure 2). It is interesting to note that 55 per cent of the industrial expansion brought within the scope of special depreciation is taking place in the 24 largest urban communities in Canada, comprising the metropolitan centres and other cities with population of over 30,000, and that, on a per-thousand population basis, this investment outlay is more than twice as great as that occurring in other areas (see Summary Table 4 and Tables V and VI, Appendix A). At the same time there is a noticeable industrial expansion and growth in smaller communities, mainly those with population of less than 10,000. This is particularly true with regard to the establishment of new plants. Many entrepreneurs are finding it more promising to locate their new industries in such smaller localities where the local labour supply is more plentiful, their initial capital costs lower, and their taxation rate more moderate than in large urban centres (see p. 56).

SUMMARY TABLE 4.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, TOTALS AND PER 1,000 POPULATION BASIS BY CITIES WITH POPULATION OF 30,000 AND OVER, IN ORDER OF MAGNITUDE OF EXPENDITURE FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

City	Totals Approvals $ millions	Per 1,000 Population * $ thousands
St. Catharines	24	695
Kingston	17	528
Kitchener	17	461
Three Rivers	21	456
Fort William	10	348
Hamilton	61	312
Brantford	10	279
Saint John	16	230
Sudbury	8	210
Montreal	247	200
Toronto	172	180
London	17	171
Vancouver	58	135
Sherbrooke	5	118
Ottawa	25	105
Halifax	13	92
Calgary	9	86
Windsor	11	78
Edmonton	7	60
Victoria	4	46
Winnipeg	12	39
Regina	2	32
Quebec	7	30
Saskatoon	0·4	9
Combined 24 Cities	773	162
Other Areas	619	82
Canada †	1,392	113

* Based where available on population stimates as of 1946.
† Excluding Northwest Territories.

Industrial Distribution

The bulk, or 88 per cent, of total investment expenditures with approved special depreciation amounting to $1·4 billion, comprises capital outlay contemplated by the manufacturing industry. This is about three times the volume estimated to have been undertaken in 1947.

Investment plans for different industries vary considerably. The largest investment expenditures, namely, $369 million, were approved for the wood, pulp and paper products group. Expansion of plants of pulp and paper producers to the extent of $273 million was largely responsible for this. Next in importance was the vegetable and animal food products group with $195 million, of which $150 million were mainly for the processing and canning of vegetable food products. The third group was the iron and steel industry, with investment of $170 million, of which $107 million were designated to extend and modernize fabricating capacity. The next group was textiles and textile products, with anticipated expenditures of $122 million, of which the major portion, or $88 million, were going into the expansion of Canada's primary textile industry. In non-metallic minerals, $122 million were approved, including $58 million for cement, lime, salt, clay and stone products, and $52 million for fuel and fuel products. For the chemicals and allied products group $117 million were approved, and for commercial shipping $101 million. These seven groups constitute expenditures of $1,196 million, or 86 per cent of total investment approved. Six other groups, including non-ferrous metal products, vegetable and animal products, non-food (rubber, leather and furs), primary industries (mining and logging), shipbuilding, construction and miscellaneous manufacturing products, made up the remainder (see Figure 3).

The industrial groups listed above rank differently if special depreciation approvals are considered on a per-thousand employee basis. On this basis non-metallic mineral products leads with $3·7 million per thousand employees, followed by commercial shipping with $3·2 million, chemicals and allied products with $1·9 million, wood, pulp and paper products with slightly under $1·9 million and vegetable and animal food products with $1·2 million. Iron and its products which ranked third in an absolute order of magnitude ranks eighth on a relative basis, and textiles and textile products, formerly ranking fourth, ranks seventh on the new basis (see Summary Table 5 and Tables VII and VIII, Appendix A).

Variation of capital requirements in relation to employment opportunities is another interesting feature which is brought out by a relative inter-industry comparison. Some industries such as non-metallic minerals, chemicals, wood,

SUMMARY TABLE 5.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, TOTALS AND PER 1,000 EMPLOYEE BASIS, BY GROUPS OF INDUSTRIES IN ORDER OF MAGNITUDE OF EXPENDITURE, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

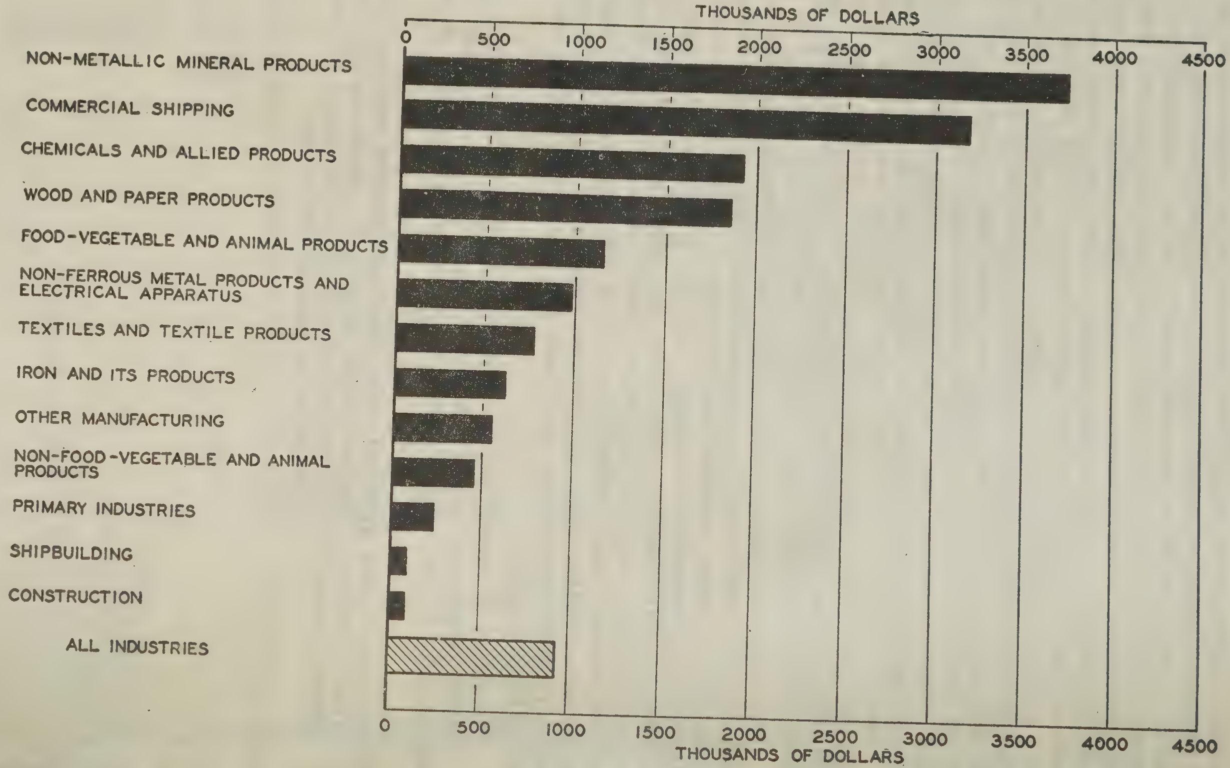
Industry	Total Approvals $ millions	Per 1,000 Employees* $ thousands
Non-Metallic Mineral Products	122	3,739
Commercial Shipping	101	3,175
Chemicals and Allied Products	117	1,927
Wood and Paper Products	369	1,864
Vegetable and Animal Products—Food	195	1,157
Non-Ferrous Metal Products and Electrical Apparatus	87	986
Textiles and Textile Products	122	774
Iron and Its Products	170	622
Miscellaneous Manufacturing Products	14	552
Vegetable and Animal Products—Non-Food	30	462
Primary Industries	47	240
Shipbuilding	5	94
Construction	13	90
Total	1,392	932

* Based on employment estimates as of 1945.

FIGURE 3

NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION BY INDUSTRIAL GROUPS

ON A PER THOUSAND EMPLOYEE BASIS



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pulp and paper lend themselves more readily to mechanization and the application of production-line techniques. As a result such industries will require many times the capital to give employment to the same number of workers as other industries, e.g., the construction industry, shipbuilding, mining and logging, where specific skills or craftsmanship are essential to the production process. To give a specific example: it takes twenty times as much investment to employ 1,000 workers in the chemical and wood, pulp and paper industries as in the construction industry and shipbuilding. While these instances are not more than illustrations of the capital requirements of different industries, the great variation that exists may serve to suggest the complexities of an industrial structure whose component parts have reached varying stages of technological development and differ considerably in organization.[1]

Size Distribution

Smaller projects involving expenditures of less than $100,000 were most numerous. They made up 77 per cent of all applications received, but involved only $105 million or 8 per cent of total expenditures approved. On the other hand, 3 per cent of all applications were for projects of $1 million and over, and comprised $815 million or 58 per cent of all investment expenditures contemplated (see Figure 4). These figures indicate that the major part of the industrial investment program is due to the expansion of a small selected group of large industries. At the same time a large number of small and medium size industries are expanding or coming into existence in all parts of the country (see Summary Table 6 and Tables IX and X, Appendix A).

Summary Table 6.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF EXPENDITURE, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

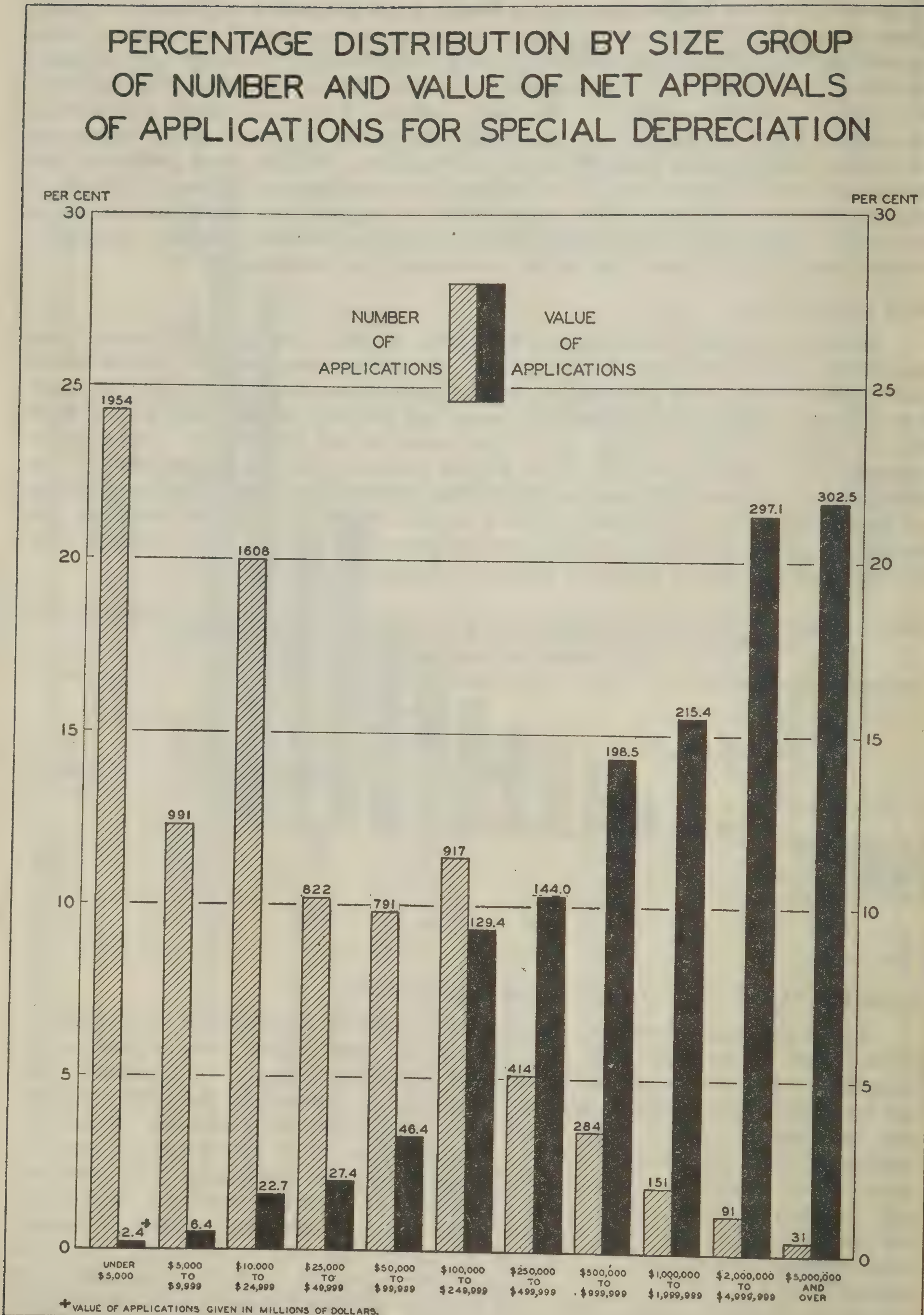
Size Distribution $	Applications Approved		Expenditure	
	Number	Per cent	Amount $ thousands	Per cent
Less than 100,000	6,166	76·6	105,318	7·6
100,000–999,999	1,615	20·0	471,920	33·9
1,000,000–4,999,999	242	3·0	512,552	36·8
5,000,000 and over	31	0·4	302,492	21·7
Total	8,054	100·0	1,392,282	100·0

Economic Significance of Investment Expenditures

There are many ways to appraise the economic significance of investment expenditures. One approach, and that is the one chosen here, separates the immediate or direct impact of investment expenditures upon the economy from the long-run effects. The direct economic impact consists of the jobs provided and incomes earned in this country by purchases of Canadian materials, machinery and equipment, and the money spent on construction of new or extension of existing structures and installations, and additional jobs provided and incomes earned abroad through sales of foreign-produced materials, machinery and equipment to Canada. The long-run economic effects of investment expenditures consist of the flow of goods that can be expected from the expansion of Canada's industry. It may mean greater diversification and more efficient production, larger output and exports, increased employment opportunities and improved working conditions. The sections that follow attempt to

[1] Supplementary data and other additional information on the points raised above are contained in Table VIII, Appendix A, but the study of capital requirements for various Canadian industries is of such complexity that a great deal more factual information both qualitative and quantitative is required for a proper appraisal.

FIGURE 4



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express in quantitative terms both the direct impact and the long-run economic implications of investment expenditures of $1·4 billion approved under special depreciation.

Direct Impact. The major portion of the $1·4 billion of investment expenditures had significant and immediate employment and income producing effects. Acquisition of industrial facilities created during the war, large as these facilities were, represented only the smaller part of the industrial expansion program in the first three years following the conclusion of the war. Only 17 per cent of all expenditures for which special depreciation had been approved were used for the transfer of property, mainly the purchase of buildings and other structures and used machinery and equipment (including ships)—and some part of the property would have been in existence before the war. These 17 per cent had no immediate employment or income producing effects, because they involved only the transfer of title of ownership from one body to another. But the major part of the expansion program, namely 83 per cent, went into expenditures for *new* investment projects involving both construction for conversion, expansion and modernization of plant facilities and the purchase of new machinery and equipment. The reporting companies expected to spend a total of $1·2 billion for this purpose. For every $1 to be spent on new construction, they intended to spend $2 on machinery and equipment. Of the latter expenditure, for every $2 to be spent on the purchase of machinery produced in Canada, the firms expected to spend $1 on machinery and equipment purchased abroad (see Summary Table 7 and Tables XI and XII, Appendix A). Capital expenditures of $1·2 billion mean jobs and incomes for a large number of people, from persons working in the mines and forests to

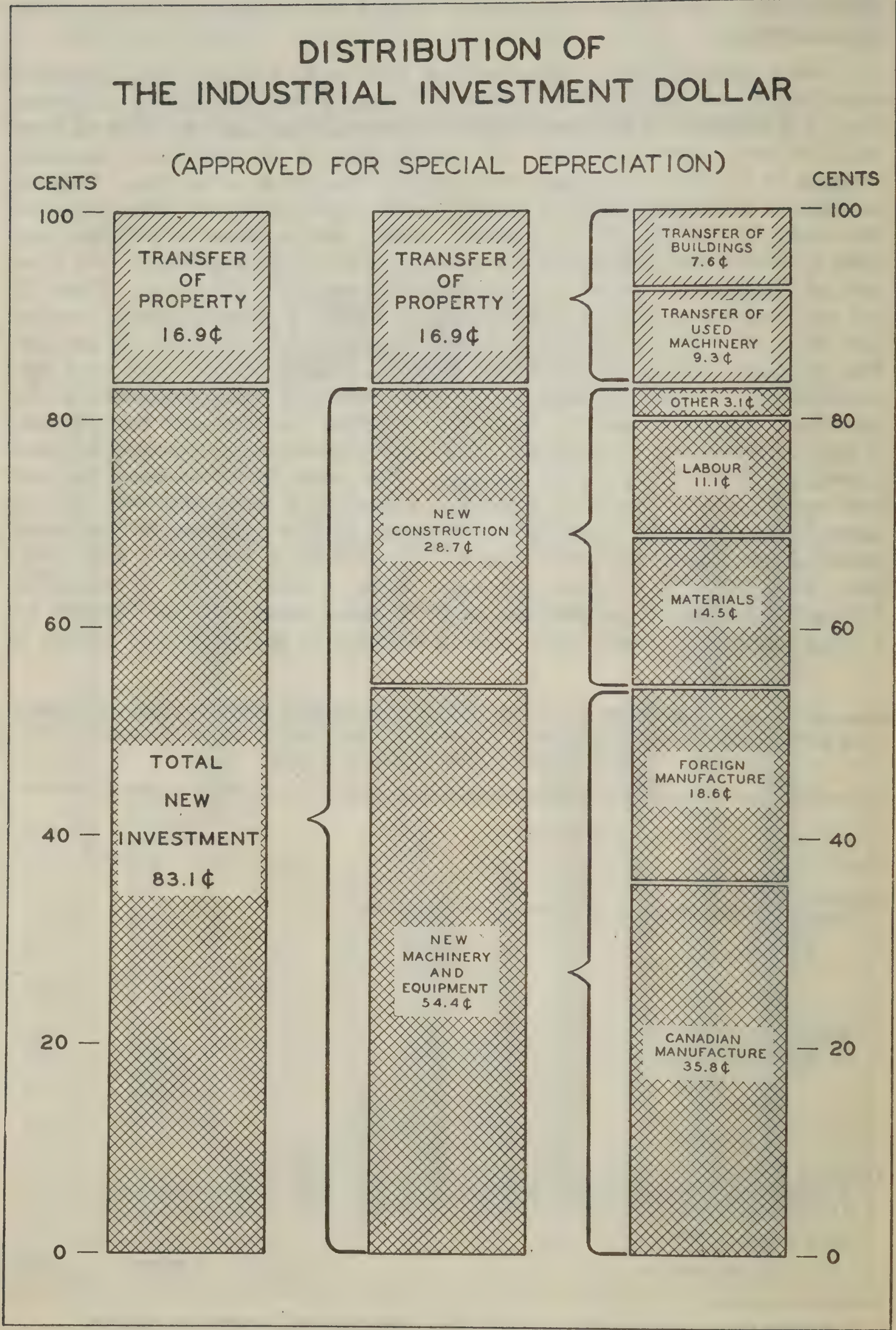
SUMMARY TABLE 7.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION BY ECONOMIC CLASSIFICATION OF EXPENDITURE, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Type of Expenditure	Amount $ millions	Per cent
New Investment—		
Construction for Conversion, Expansion and Modernization		
Labour	155·3	11·1
Materials	201·3	14·5
Other	43·1	3·1
Sub-total	399·7	28·7
Machinery and Equipment		
Canadian Manufacture*	499·4	35·8
Foreign Manufacture†	258·5	18·6
Sub-total	757·8	54·4
Total New Investment	1,157·6	83·1
Transfer of Property—		
Purchase of Buildings and Other Structures	105·9	7·6
Purchase of Used Machinery and Equipment	128·8	9·3
Total Transfer of Property	234·7	16·9
All Expenditures	1,392·3	100·0

* Including foreign materials used in the manufacture of Canadian-produced machinery and equipment.

† Including cost of installation and duties paid in Canada and mark-ups of Canadian distributors.

FIGURE 5



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employees in processing, manufacturing and construction industries, transportation and distribution trades, businessmen and professional personnel. All these groups participate in the production of new capital equipment, which in turn would add to the flow of commodities to the domestic and foreign markets, including many products new to Canada (see Figure 5).

By far the largest part of investment expenditures was to be spent in Canada. Of the contemplated construction expenditure of about $400 million, 39 per cent was expected to go into wage payments for on-site labour, 50 per cent to be spent for materials, and the remaining 11 per cent would represent other charges, mainly overhead and profits of contractors. Most of the building materials used in construction are produced in Canada. Some of the raw materials used for the Canadian manufacture of machinery and equipment are imported. On the other hand, the figures on machinery and equipment purchased from abroad (shown in Summary Table 7) include cost of installation, which are expenditures made in Canada. They also include mark-up of Canadian traders, if purchased through established commercial channels, and duty paid in Canada. As a first approximation, it appears that currently about two-thirds of all expenditure made on new investment for industrial expansion (that is, new construction and the purchase of machinery and equipment, excluding the purchase of existing property) absorbs materials produced in this country and provides jobs for Canadians, and about one-third of these expenditures are made for machinery and equipment and materials imported from abroad, mainly the United States.(1)

Because of the recently announced import restrictions on capital goods, (2) the dependence of various groups of industries on foreign manufactured machinery and equipment is of particular interest. While the figures available are only of limited value because they include cost of installation and duties paid in Canada and mark-ups of Canadian distributors, they are indicative of current trends.

Of the 23 industrial groups into which the manufacturing industry has been divided for the purpose of this study, 13 groups depend on foreign manufactured machinery and equipment to the extent of 25 to 50 per cent of their total investment expenditures made for purchases of new machinery and equipment (see Summary Table 8 and Table XII, Appendix A). Only in six industrial groups was the proportion less than 25 per cent, while in the remaining four groups, the proportion exceeded 50 per cent. Development of Canadian industry producing machinery and equipment in many fields where there is a large domestic market is indicated by the large portion of domestically manufactured items used in some of Canada's major industries. For example, in the pulp and paper industry where the volume of investment is currently very substantial, the proportion of foreign manufactured items, comprising about 13 per cent, is lower than in most other industries. On the other hand, the primary textile industry depends greatly on imports of foreign produced machinery and equipment coming mainly from the United States. In this industry, the proportion of new investment expenditures for machinery and equipment going into foreign purchases is 67 per cent.

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(1) Because a large segment of the Canadian capital goods producing industry is presently in the process of adaptation and expansion, imports of materials, machinery and equipment from abroad, particularly the United States, are comparatively large. As Canadian capacity increases, the ratio of two-thirds to one-third is likely to change moderately towards more Canadian-produced capital goods, although this country will continue to depend on large imports of certain basic materials and specialized machinery and equipment from the United States.

(2) *Order in Council* P.C. 4678, November 12, 1947, and *The Emergency Exchange Conservation Act*, Bill No, 3. House of Commons, First Reading, December 11, 1947.

SUMMARY TABLE 8.—FOREIGN MANUFACTURED MACHINERY AND EQUIPMENT AS A PROPORTION OF ALL MACHINERY AND EQUIPMENT PURCHASES, BY TYPE OF INDUSTRY, BASED ON NET APPROVALS FOR SPECIAL DEPRECIATION, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944-MARCH 31, 1949.

Industry	Total Purchases of Machinery and Equipment	Foreign Manufactured Machinery and Equipment as a Proportion of Total Purchases*
Manufacturing Industries—	$ millions	per cent
Vegetable and Animal Products—Food:		
(1) Vegetable Food Products	74·5	39·6
(2) Animal Food Products	14·4	29·8
(3) Tobacco	6·7	56·1
Sub-total	95·6	39·3
Vegetable and Animal Products—Non-food:		
(1) Rubber	16·0	24·5
(2) Leather	2·4	40·6
(3) Furs	0·2	8·2
Sub-total	18·6	26·4
Textiles and Textile Products:		
(1) Primary Textiles	63·0	66·9
(2) Clothing and Other Textiles	24·2	72·7
Sub-total	87·2	68·5
Wood and Paper Products:		
(1) Lumber and Lumber Products	35·5	24·9
(2) Pulp and Paper	194·5	12·9
(3) Printing and Publishing	19·2	76·2
Sub-total	249·2	19·6
Iron and Its Products:		
(1) Primary Iron and Steel	10·9	32·3
(2) Iron and Steel Fabricated Products (excluding Vehicles)	61·1	41·2
(3) Vehicles and Parts	16·9	43·9
Sub-total	88·9	40·7
Non-Ferrous Metal Products and Electrical Apparatus:		
(1) Non-Ferrous Metal Products	16·5	39·3
(2) Electrical Apparatus	23·3	43·3
Sub-total	39·8	41·6
Non-Metallic Mineral Products:		
(1) Fuel and Fuel Products	42·6	18·9
(2) Cement, Lime, Salt, Clay and Stone Products	30·9	21·2
(3) Glass and Glass Products	6·8	43·5
Sub-total	80·3	21·9
Chemicals and Allied Products:		
(1) Industrial, Domestic and Agricultural Chemicals	25·0	27·1
(2) Drugs, Cosmetics, Soaps	9·8	33·1
(3) Miscellaneous Chemical Products	23·4	37·6
Sub-total	58·2	32·3
Miscellaneous Manufacturing Products	6·0	47·3
Total Manufacturing Industries	723·6	33·6
Primary Industries—		
Mining:		
(1) Metallic Mining	5·2	31·7
(2) Non-Metallic Mining	2·5	20·1
Sub-total	7·7	28·0
Woods Operations	14·3	48·6
Total Primary Industries	21·9	41·4

* See footnote † to Summary Table 7.

SUMMARY TABLE 8.—FOREIGN MANUFACTURED MACHINERY AND EQUIPMENT AS A PROPORTION OF ALL MACHINERY AND EQUIPMENT PURCHASES, BY TYPE OF INDUSTRY, BASED ON NET APPROVALS FOR SPECIAL DEPRECIATION, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Total Purchases of Machinery and Equipment	Foreign Manufactured Machinery and Equipment as a Proportion of Total Purchases*
	$ millions	per cent
Special Industries—		
Shipbuilding	0·9	46·4
Commercial Shipping	2·6	13·7
Construction	8·8	66·6
Total Special Industries	12·3	53·8
GRAND TOTAL	757·8	34·1

* See footnote † to Summary Table 7.

Long Run Economic Implications. The 4,212 companies making investment expenditures of $1·4 billion intend to spend $1 billion for the conversion, modernization and expansion of 3,668 plants, and $400 million for 1,174 new plants (see Figure 6). Of the latter, 330 either replace or add additional plants to existing establishments while 844 consist of completely new productive units (see Summary Table 11.) Taken together these companies will be responsible for a major part of Canada's production and export of manufactured goods and a portion of primary commodities. They will be turning out many types of goods never before manufactured in Canada. If production and export plans of these companies materialize, this group of industries expects to provide continuing employment for a large number of persons.

SUMMARY TABLE 9.—PRODUCTION, EXPORTS AND EMPLOYMENT OF 2,241 COMPANIES INDICATING PRE-WAR AND WAR ACCOMPLISHMENTS AND POST-WAR PLANS, WITH APPROVED SPECIAL DEPRECIATION, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Item	Conversion, Modernization and Expansion of Industry	Replacements of Obsolete Plants	Total Establishments
Applications—number	4,631	350	4,981
Companies—number	1,933	308	2,241
Plants and Establishments—number	2,271	330	2,601
Investment Expenditures—$ millions	589	110	699
Gross Value of Production 1939—$ millions	1,698	146	1,844
Gross Value of Production 1944—$ millions	3,786	314	4,100
Gross Value of Production in Year Preceding Approval—$ millions	3,747	355	4,102
Gross Value of Production in Year Following Completion of Project—$ millions	4,416	458	4,874
Gross Value of Exports 1939—$ millions	295	29	324
Gross Value of Exports 1944—$ millions	623	49	672
Gross Value of Exports in Year Preceding Approval—$ millions	746	50	796
Gross Value of Exports in Year Following Completion of Project—$ millions	1,150	62	1,212
Number of Employees 1939—thousands	264	25	289
Number of Employees 1944—thousands	457	42	499
Number of Employees in Year Preceding Approval—thousands	431	43	474
Number of Employees in Year Following Completion of Project—thousands	506	54	560

Because of statistical limitations, available data are only broadly indicative of future developments. The main difficulty lies in the fact that comparable data with regard to production, exports and employment for the pre-war and war periods and post-war plans are available only for about half of the total companies, namely 2,241 with 2,601 plants or establishments and investment expenditures of $699 million (see Summary Table 9). The remainder are either new companies established during or since the war or are firms which were not required to provide the above information. However, it is possible to give an indication of production, export and employment plans for *all* companies in the survey for the first years *after* the completion of the investment projects. These data are based in part on submissions by the companies, as in the case of new plants established during or since the war, and in part by making estimates for firms not reporting this information (see Summary Table 10). Thus at least a first approximation of the production, export and employment effect of the total investment program of $1·4 billion appears possible (see Summary Table 11). But it bears emphasis that the pre-war, war and post-war data are only comparable for about half the firms covered.

Here in brief is what the industrial investment program of $1·4 billion might mean for the Canadian economy.

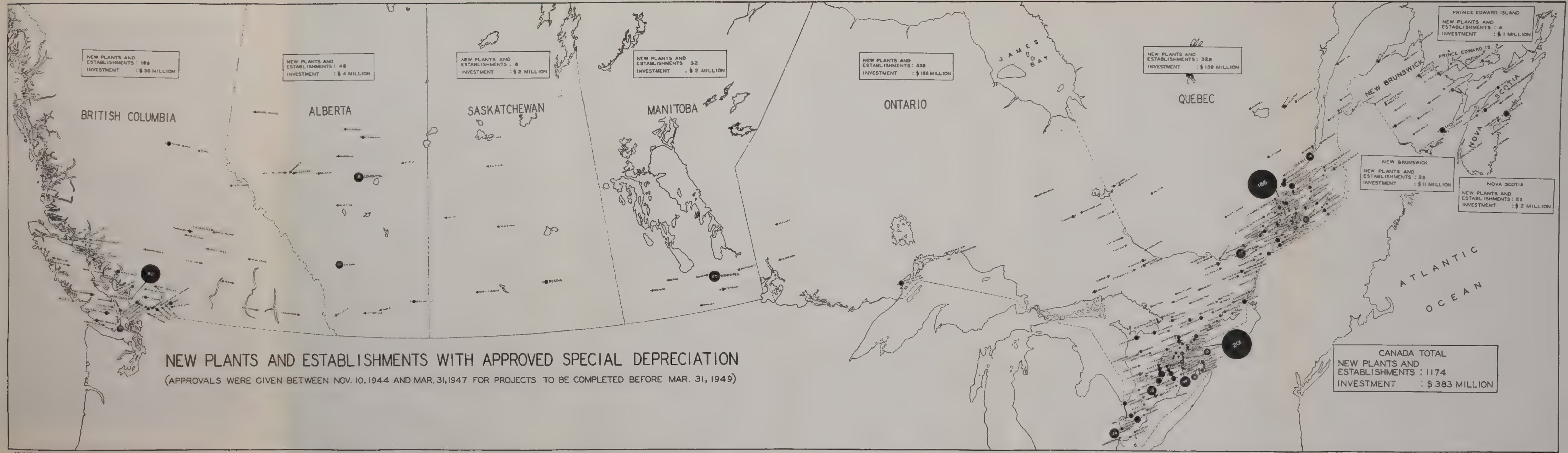
Production Plans. The 2,241 companies for which comparable data are available produced goods to the value of $1·8 billion in 1939, increased their output to $4·1 billion in 1944—the year in which the largest volume of war goods was produced—and expected to turn out about $4·9 billion worth of commodities one year following the completion of their investment projects (see Summary Table 9). These expectations appear to indicate that the companies canvassed expect not only to consolidate their wartime expansion but to turn out in peacetime a total of goods valued at some 20 per cent higher than their peak war output (no account being taken of price changes). These figures become even more significant if account is taken of future production plans of the second group of 1,971 companies for which no comparable pre-war and war data are available (see Summary Table 10). The total of 4,212 companies with new investment of $1·4 billion expect to produce some $8·6 billion annually (see Summary Table 11). This level of output, if achieved by this group of companies, would only be about one billion short of the total

Summary Table 10.—PRODUCTION, EXPORTS AND EMPLOYMENT OF 1971 COMPANIES INDICATING POST-WAR PLANS ONLY, WITH APPROVED SPECIAL DEPRECIATION, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Item	Conversion Modernization and Expansion of Industry*	New Plants or Establishments†	Total Establishments
Applications—number	2,127	946	3,073
Companies—number	1,196	775	1,971
Plants and Establishments—number	1,397	844	2,241
Investment Expenditures—$ millions	420	273	693
Gross Value of Production in Year after Completion of Project—$ millions	2,856	859	3,715
Gross Selling Value of Exports in Year Following Completion of Project—$ millions	645	236	881
Number of Employees in Year Following Completion of Project—thousands	347	73	420

* Data based in part on reports by companies, in part on estimates for non-reporting firms.
† The figures on production, exports and employment represent totals anticipated by new plants and establishments. Where the new plants or establishments are replacements of old plants or establishments, the anticipated volume of production, exports and employment is the result of new investment expenditures and whatever assets are being used from the old plants or establishments.

FIGURE 6



NEW PLANTS AND ESTABLISHMENTS WITH APPROVED SPECIAL DEPRECIATION

(APPROVALS WERE GIVEN BETWEEN NOV. 10, 1944 AND MAR. 31, 1947 FOR PROJECTS TO BE COMPLETED BEFORE MAR. 31, 1949)

SOURCE OF DATA: SEE SUMMARY TABLE 10.

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SUMMARY TABLE 11.—PRODUCTION, EXPORTS AND EMPLOYMENT OF TOTAL 4,212 COMPANIES INDICATING POST-WAR PLANS, WITH APPROVED SPECIAL DEPRECIATION, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Item	Conversion, Modernization and Expansion of Industry	New Plants and Establishments			Total Establishments†
		Replacement of Obsolete Plants	New Productive Units	Sub-total	
Applications—number	6,758	350	946	1,296	8,054
Companies—number	3,129	308	775	1,083	4,212
Plants and Establishments—number	3,668	330	844	1,174	4,842
Investment Expenditures—$ millions	1,009	110	273	383	1,392
Gross Value of Production in Year after Completion of Project—$ millions	7,272	458	859	1,317	8,589
Gross Value of Exports in Year Following Completion of Project—$ millions	1,795	62	236	298	2,093
Number of Employees in Year Following Completion of Project—thousands	853	54	73	127	980

† These figures represent the sum total of comparable data, shown in Summary Tables 9 and 10.

gross value of production (or revenue) of *all* enterprises in the industries covered here (manufacturing, mining, logging, construction and shipping) in 1945 (the last year for which these over-all figures are available at present).[1]

Even if no account is taken of the output of new plants that have come into existence during and since the war, production (measured in current dollars) of the industries covered here is expected to be two and a half times as great after the war as compared with the value of goods turned out before the war. Against this very substantial expansion in output has to be put as an offset the production of war plants which were closed either in part or in full in the transition period, and price rises which occurred during the war and post-war period. But most war plants have been found usable for peacetime purposes and remain in operation although serving different purposes. Prices of goods have risen considerably since 1939 but increases have been uneven for various types of commodities. Assuming that prices will not exceed 1939 levels by more than 50 per cent for any length of time, it appears that the group of companies analysed here contemplates turning out in the years to come about one and three-quarter times the volume of goods produced before the war.

Export Intentions. Because Canada's prosperity depends greatly on the level of foreign trade, figures on export expectations are important indicators of future economic developments in Canada. The group of companies[2] for which pre-war data are available indicate that they exported goods to the value of $324 million in 1939, increasing to $672 million in 1944. These companies which currently export about $800 million worth of goods expect in the first year following the completion of their investment projects to raise their exports to $1·2 billion (see Summary Table 9). If these expectations materialize, it will mean that the selected group of Canadian firms in the manufacturing and primary industries expects to export in the post-war period more than three and one-half times as much as they did in 1939 or about two and one-half times

(1) The figure on gross revenue of shipping is an estimate. All other figures, with some allowances for duplications as between primary and secondary production, are from *Survey of Production in Canada, 1940-1945*, Dominion Bureau of Statistics, Ottawa, 1947. Gross value of production by *all* primary and secondary industries (including commercial shipping) is put at $11·8 billion in 1945. Data shown are gross figures, that is, they relate to the sum total of the value output by all industries covered. The net value of production of these industries, that is, after eliminating the cost of materials, fuel purchased, electricity and process supplies consumed in the production process, would be considerably smaller. In 1945, for example, gross value of production by primary and secondary industries (excluding commercial shipping) amounted to $11·7 billion as against $6·1 billion for net value of output of the same group of industries.

(2) This includes firms in the manufacturing industry, logging and mining. The construction industry and commercial shipping are not listed as "exporting" industries in the narrow sense of the term.

as much in physical volume terms assuming a 50 per cent *average* price increase as between pre-war and post-war. Additional exports amounting to $881 million are planned by companies that have established new plants either during or since the war and other companies modernizing, expanding and converting their establishments for which no comparable pre-war and war figures are available (see Summary Table 10). Thus, all firms taken together making an investment expenditure of $1·4 billion hope to be able to export a total of $2·1 billion annually after they hit their stride (see Summary Table 11). These plans exceed accomplishments of the immediate past when exports of manufactured goods of all kinds and of mining and logging industries amounted to $1·8 billion in 1946.

Employment Levels. The 2,241 companies participating under special depreciation provisions which provided comparable data reported an increase in employment from 289,000 in 1939 to 499,000 in 1944 (see Summary Table 9). Currently these companies are employing some 474,000 persons but hope to expand their total labour force to some 560,000 persons in the year following the completion of their capital expenditure program. Some of this increase in employment associated with new investment might be offset by any declines of employment in other sectors of the same companies which these firms may not find as profitable as some of their newer projects. Such shifts in the employment plans of industry must be taken into account in appraising the expectations of the group of companies covered here which expect to provide in the next few years jobs for almost twice as many workers as they did in 1939 (see Summary Table 9). The other group of 1,971 companies covering those for which information is available only with regard to their post-war plans indicated that they expect to provide 420,000 jobs one year after the completion of their projects (see Summary Table 10). Thus the total investment expenditures of $1·4 billion would affect a group of companies with a total labour force of some 980,000 workers (see Summary Table 11), or about two-thirds of all employees in manufacturing, mining and logging, construction and shipping. Average annual employees in these industries were estimated to number 1·5 million in 1945 (see Table VIII, Appendix A).

Impressive as these expected accomplishments are they have to be offset against the closing down of those segments of Canadian industry formerly engaged in production for the war effort and not convertible to peacetime purposes, the labour force laid off in these establishments, the exports of military supplies that were discontinued, the considerable reduction of Government purchases which at their peak accounted for almost half the country's output. The current *net* position taking account of the decline in economic activity since the discontinuation of production for military purposes and the increase in economic activity due to the expanded production for civilian purposes is a comparatively strong one. The process of adjustment of the labour force is materially accomplished and the physical adaptation of the industrial structure from war to peace is practically complete. Current employment has reached the peak of 5 million and unemployment at 2 per cent of the labour force is the lowest in Canada's recorded history. Preliminary estimates indicate that the gross national product in 1947 is likely to exceed $12·7 billion. The gross national product was $5·6 billion in 1939 and $11·8 billion at the war peak of 1944. The present high level of economic activity is accompanied by the largest investment program ever undertaken by Canadian business in the country.[1]

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[1] *National Accounts, Income and Expenditure, 1938-1946*, op. cit., pp. 4 and 5, and *Forecast of 1947 Investment by Canadian Business*, op. cit., pp. 5-7.

In interpreting figures on production and export intentions and employment prospects, it must be remembered that these figures indicate expectations of businessmen, which may or may not come true. Changes in the price-cost structure, a weakening of demand both at home and abroad, increased domestic and foreign competition, foreign exchange restrictions, changes in the national and international political atmosphere on which large-scale trading so greatly depends, are all factors which may either defeat or curtail plans of business to produce the capital and consumer goods needed in expanding the economy. But given a climate favourable to continued business activity both at home and abroad, Canadian industry is getting ready, by expanding its capacity and efficiency of operations, to contribute to an improvement of the Canadian standard of living, with which the maintenance of a high level of employment and income is closely associated.

Industrial Diversification. A large measure of industrial diversification is accompanying the process of conversion, modernization and expansion of Canadian factories. Over 200 new products formerly imported are now being produced in Canada. These include various types of heavy machinery and equipment such as special types of pulp mill machinery, road building equipment, self-propelled coal, sand and gravel conveyors, milling machines, oil-well equipment, heavy agricultural implement machinery, large diesel engines and inter-city buses; new types of textile products such as impregnated fabrics, jute and hemp yarns, cotton gabardine products and tocked coil ropes; wood and paper products, including new varieties of paper, new kinds of furniture, particularly made from plywood, insulation materials and prefabricated houses; chemicals and allied products such as streptomycin, copper sulphate, styron, sodium carbory methyl cellulose, new types of synthetic lacquers, paints and enamels; and a host of other products such as light machinery and equipment, tools, electrical and cooking equipment, heating and plumbing fixtures, medical and scientific instruments, refrigerators, cordless electric irons, and new types of leather and leather goods. New processes are also being developed. For example, a western chemical company intends to extract starch and glucose from wheat, while an Ontario company plans to make medicine almost entirely from raw materials originating from other Canadian firms. This industrial diversification has a dual meaning. First, a larger portion of capital goods required are now being manufactured from Canadian materials and with Canadian labour. Second, a large variety of new types of consumer goods, for the first time produced in Canada, is coming on to the market to satisfy the manifold needs of the general buying public.

Industrial diversification, however, means more than the production of new goods for Canada. A large number of established companies have expanded the *types* of articles that they had been producing formerly in order to reduce the vulnerability of their enterprise to changes in demand and consumers taste for particular types of commodities. In other instances, companies have started to turn out new products designed to integrate their production process. In some cases this involves materials or supplies required for the production of the main commodities, in others it involves turning out new goods that use waste materials resulting from primary production processes. To give a few examples of companies that show a diversification of production within their units: a firm formerly producing only refrigeration equipment expanded to manufacture air-conditioning equipment, steam boilers and steel parts and equipment; a firm producing threshing machines and similar implements expanded to produce industrial boilers, rock crushers, rubber, plastic and ceramic moulds and turbine

motors and air compressors; a firm formerly producing washing machines extended its production to include ironing machines, electrical appliances and air circulators; a newsprint company in Ontario went into distilling industrial alcohol required in its production process; a British Columbia pulp and paper company started producing new plastic products from waste pulp. These are just a few examples of the many instances in which firms are endeavouring to improve their business outlook for the future by strengthening their industrial operations through increased diversification of production.

Diversification of Canadian industry also achieved significance in the geographic sense. Large as well as small communities shared in the plant expansion program. Of the total of 1,174 new plants to be constructed, involving $383 million capital expenditures, 676 costing $167 million were expected to be situated in the 24 largest metropolitan centres and other cities with population of over 30,000; 96 with an outlay of $70 million in medium-sized cities and towns with population between 10,000 and 30,000; and 402 reflecting an investment of 146 million in smaller communities with population of less than 10,000 (see Summary Table 12).

Summary Table 12.—GEOGRAPHICAL DISTRIBUTION OF NEW PLANTS WITH APPROVED SPECIAL DEPRECIATION, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Location	Plants and Establishments		Investment Expenditure	
	Number	Per cent	Amount $ millions	Per cent
Metropolitan Centres and Major Cities (with population over 30,000)	676	57·6	167	43·6
Medium-Sized Cities and Towns (with population between 10,000 and 30,000)	96	8·2	70	18·3
Smaller Towns and Other Communities (with population less than 10,000)	402	34·2	146	38·1
Canada *	1,174	100·0	383	100·0

* Excluding Northwest Territories.

Increased Efficiency. Two out of every three companies converting, modernizing or expanding their facilities expect to reduce unit costs of the goods produced in their new or improved plants (see Summary Table 13). The true significance of this development must be seen against the fact that the reporting companies expect to maintain employment in their plants at high levels in the near future. As a result, fewer man-hours per unit are likely to be used in the production of a number of commodities than was the case either before or during the war, while at the same time the volume of commodities produced is likely to be substantially greater. The effect of labour-saving devices, as this survey appears to point up, is to use the manpower thus saved for expanded production and shorter working hours. As long as the present period of strong consumer demand continues there is no indication that in manufacturing industry as a whole "surplus" labour would be laid off.

Improved Working Conditions. Increased efficiency is accompanied by improved working conditions. Seven out of every ten plants expect to provide improved facilities for their employees (see Summary Table 13). This accomplishment holds promise not only to contribute to a further increase in efficiency but also to better management-labour relations.

SUMMARY TABLE 13.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY ECONOMIC EFFECTS ANTICIPATED BY REPORTING COMPANIES, FOR PERIOD OF OPERATION, NOVEMBER, 10, 1944—MARCH 31, 1949

Item	Reduction in Unit Costs		Improved Working Conditions	
	Number of Plants	Per cent	Number of Plants	Per cent
Yes	1,879	66	1,886	71
No	966	34	789	29
Reporting Companies	2,845†	100	2,675†	100

† The coverage is 59 per cent and 55 per cent respectively of total number of plants or establishments applying for special depreciation.

Conclusion

In conclusion, it appears that the hopes set on industrial expansion in the immediate post-war period as an offset to production for war purposes are being materially fulfilled. In effect, industrial expansion serving peacetime needs has offset the decline in economic activity resulting from the substantial curtailment of war expenditures.

Canadian industry has come out of the war stronger than ever, better equipped than before, with its efficiency increased, its management more experienced, its labour force expanded and equipped with many new skills, working conditions improved, and an optimistic outlook for the future. This better preparedness for the uncertainties of Canada's economic future is reflected in the expansionist production programs both for domestic and foreign markets.

The resulting drive for increased exports of manufactured goods may in turn influence to an increasing extent the pattern of Canadian commodity trade in the years ahead. The current development under way is in fact a continuation of a pre-war trend. Fully and partially manufactured goods made up 56 per cent of total exports in 1920. When the war broke out in 1939, this proportion had risen to 70 per cent, although the rise was uneven with some declines in a few years where large demand abroad for Canadian raw materials, particularly wheat, affected the ratio of raw materials to fully or partially manufactured goods shipped abroad. The advent of World War II speeded up the process with a large volume of war equipment and stores boosting the proportion to a peak of 87 per cent in 1942. As peace approached and the shipment abroad of military supplies was discontinued, the proportion of fully and partially manufactured commodities was expected to decline. This is what in fact happened for the ratio was 74 per cent in 1946, the first full post-war year, and it is currently at about 78 per cent (see Table XIV, Appendix A and Figure 7). Nevertheless, fully and partially manufactured goods are making up, in the post-war period, a higher proportion of total exports than they did before the war. This development which indicates some of the consequences of Canada's industrial growth reflects the gradual but continuously changing role of Canada's position in international trade [1].

[1] Increased Canadian exports of manufactured goods will meet, of course, with competition from the manufactured goods of those countries which like Canada have become much more industrialized during the war. As against this, it may be noted that important wartime developments in technology will strengthen Canadian industry, to some extent, in competition with that of other countries, or remove differentials that may have existed before the war. Furthermore, during the war, skilled workers were channelled into war manufacturing while other large numbers of workers developed a capacity for skilled work as indicated by wartime shifts between occupations. Hence this skilled labour force can be expected to contribute to quality production of Canadian manufactures at competitive price levels.

A possible change in the relative importance of Canadian import trade also can be expected as a result of Canada's increase in industrial capacity. Imports have consisted largely of manufactured goods, but now, with Canadian factories in a position to produce many of the things previously imported, the question arises as to whether raw materials and semi-processed commodities may become more important relatively as items in the volume and value of import trade. The trend in this direction is, so far, not very conclusive. Between 1920 and 1939, fully and partially manufactured goods varied between 70 and 77 per cent of total imports. When World War II broke out, the ratio was 73 per cent in 1939. It rose to close to 80 per cent in 1942, declining gradually until it reached 73 per cent in 1946, about the same position as in 1939 (see Table XIV, Appendix A and Figure 7). Currently the proportion is about 77 per cent. This trend reflects the complexity of the requirements of a dynamic economy. On the one hand, increased industrialization in Canada means larger demands for raw materials, some of which are produced domestically while others are obtained from abroad. But at the same time, as this process becomes associated with a high level of employment and income, the resulting prosperity creates new demands for goods, many of which are luxury articles and are imported. This, as recent developments have shown, is the position which Canada is facing now. As a result of the high demand for a variety of both capital and consumer goods in the transition period, Canada has expanded her imports considerably, particularly from the United States. Many of the commodities imported were high-priced consumer goods which Canadians with their improved earnings could afford to buy.

As a result, Canadian imports from the United States rose even more rapidly than Canadian exports to U.S. dollar areas, (see Table XV, Appendix A). Since a large portion of Canadian exports were financed through credits given by Canada to the United Kingdom and allied European countries, while imports from the United States were paid for in cash, this country was faced with serious balance of payments difficulties towards the end of 1947, (see Table XVI, Appendix A). On November 17, 1947, restrictive measures were announced which were designed to reduce imports of a variety of consumer and capital goods to protect Canada's dwindling U.S. dollar reserves.[1]

At the same time the terms of the General Agreements on Tariff and Trade concluded in Geneva were announced in Canada. These agreements between 23 nations represented an important and far-reaching attempt to lower trade barriers and remove trade restrictions, covering some 45,000 tariff items. The accomplishment was described by the Canadian Prime Minister as, "the widest measure of agreement for the freeing of world trade that the nations have ever achieved."[2]

The complementary character of both these measures was emphasized by the Minister of Reconstruction and Supply: "It is a fortunate coincidence that at the same time we are faced with a critical balance of payments situation, agreement should have been reached across such a broad front with the other chief trading nations of the world on practical ways and means of expanding trade. It is to constructive and expansive development in Canada stimulated by these agreements that we look for a permanent and satisfactory solution of

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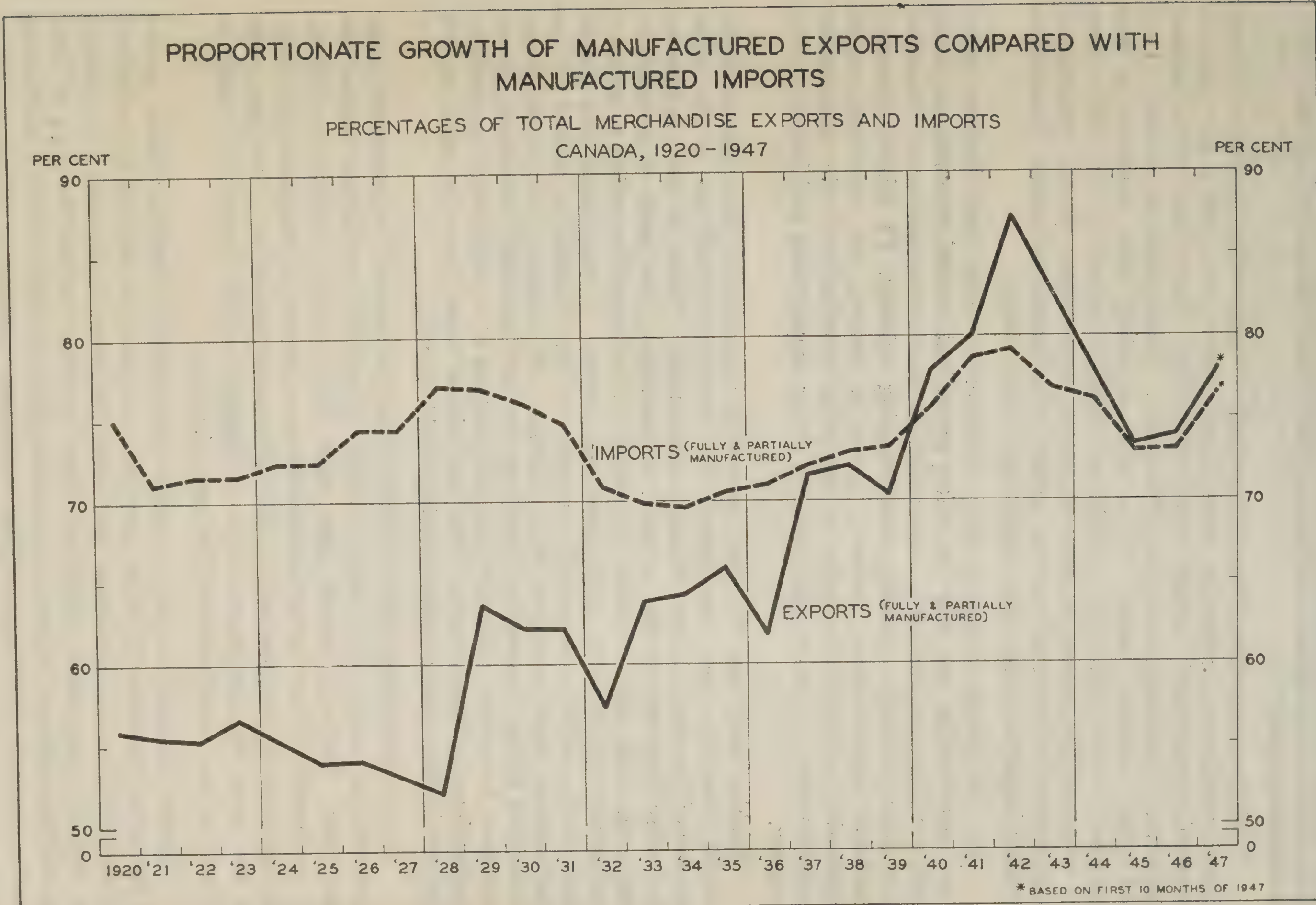
(1) Statement by Hon. Douglas Abbott, Minister of Finance, over the C.B.C. network, November 17, 1947, and *Order in Council* P.C. 4670, November 12, 1947.

(2) Statement by the Rt. Hon. W. L. Mackenzie King over the C.B.C. network, November 17, 1947.

FIGURE 7



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our chronic dollar shortage, a solution which will not be at the expense of Canadian living standards and incomes but which will, in the long run, fortify and develop both."[1]

With the completion of the physical task of reconverting Canadian industry from a wartime to a peacetime basis, Canada enters with 1948 a new phase of economic development: a trade adjustment period. She is faced with a national objective of producing *more goods than ever*. These goods are needed: (1) to fill urgent domestic needs; (2) to continue aiding other countries in their economic recovery, and (3) to build up Canadian exports to U.S. dollar areas to overcome the current balance of payments problems. In the recovery of war-devastated countries and the growth of international trade, Canada has a more important stake than almost any other country.

For the Canada of today, every reduction in world trade barriers means new opportunities, not only for a few specialized natural resources as in the past, but also an expansion of markets for the greatly extended, better diversified and more efficiently operating manufacturing industry. To this development, Canadian manufacturing industry, grown in stature, can contribute on an impressive scale and thus make an important contribution to the stabilization and protection of present high levels of living, employment and income in this country.

Looking back over the three years that have elapsed since special depreciation provisions were inaugurated, the conditions which led to the introduction of this fiscal aid have changed considerably. When the war was drawing to a close there was at first a period of uncertainty that made it desirable to encourage large scale industrial investment in the transition period to assure a continuing high level of employment and income. It was hoped that special depreciation, which was one of a number of fiscal incentives offered by the Government, would contribute to this purpose. The assertion that entrepeneurs considered special depreciation privileges for new industrial investment advantageous is borne out by the fact that not less than $1·4 billion were approved on applications by businessmen. This was almost three times as much as was approved under similar schemes during World War II.

As the reconversion period progressed and the demand for investment goods exceeded the supply, the incentive aspect of special depreciation became less important. But in this second phase, when direct controls were lifted or relaxed, it was possible to use special depreciation as a measure of persuasion to induce entrepreneurs to postpone some of their investment projects to a later date, when it was hoped that the process of the re-alignment of the labour force would be completed and materials would be more plentiful.

Because Canada has never experienced a similar situation without special depreciation provisions, it is not possible to estimate the amount of investment induced by special depreciation. But—and this is one of the useful by-products of special depreciation procedure—firms applying for certification of their capital expenditures for special depreciation had to provide detailed information on the economic significance of their investment programs of a type which has been obtained for the first time in Canada on a comprehensive scale. This

[1] Statement by the Rt. Hon. C. D. Howe, Minister of Reconstruction and Supply, *House of Commons Debates*, December 10, 1947, p. 136.

information, which covers about two-fifths of all business investment and some four-fifths of manufacturing investment undertaken in the transition period, presents a useful complement to existing information in interpreting the economic outlook for the next few years ahead.

APPENDIX A

SUPPLEMENTARY STATISTICAL TABLES

TABLE I.—GROSS AND NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND DATE OF APPROVAL, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Year and Month	New Investment			Transfer of Property			Total Applications	
	Construction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	
Gross Approvals—								
1944—November	610	1,273	1,883	148	—	148	2,031	9
December	1,875	2,842	4,717	963	350	1,313	6,030	19
1945—January	1,700	4,500	6,200	316	360	676	6,876	20
February	2,500	4,100	6,600	20	—	20	6,620	10
March	4,000	12,000	16,000	500	3,600	4,100	20,100	99
April	4,200	13,000	17,200	617	7,800	8,417	25,617	160
May	6,086	19,279	25,365	203	1,552	1,755	27,120	150
June	5,570	14,392	19,962	2,516	1,265	3,781	23,743	181
July	9,672	25,970	35,642	199	456	655	36,297	162
August	6,747	14,387	21,134	942	1,748	2,690	23,824	170
September	9,059	7,447	16,506	284	559	843	17,349	128
October	2,924	3,767	6,691	302	1,002	1,304	7,995	145
November	5,274	8,763	14,037	520	719	1,239	15,276	123
December	3,261	7,288	10,549	822	1,495	2,317	12.866	140
1946—January	11,048	21,486	32,534	321	2,357	2,678	35,212	193
February	2,468	9,372	11,840	303	1,408	1,711	13,551	81
March	413	8,586	8,999	—	4,332	4,332	13,331	224
April	2,656	10,450	13,106	1,132	1,891	3,023	16,129	225
May	10,820	26,398	37,218	1,087	4,322	5,409	42,627	225
June	9,229	14,044	23,273	7,449	3,007	10,456	33,729	266
July	2,228	6,295	8,523	17	1,363	1,380	9,903	152
August	2,398	6,283	8,681	1,120	372	1,492	10,173	136
September	4,126	10,250	14,376	776	3,512	4,288	18,664	197
October	15,345	27,152	42,497	15,718	4,767	20,485	62,982	308
November	17,927	22,181	40,108	1,011	2,791	3,802	43,910	458
December	19,710	41,850	61,560	10,854	4,606	15,460	77,020	306

TABLE I.—GROSS AND NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND DATE OF APPROVAL, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Year and Month	New Investment			Transfer of Property			Total Applications	
	Construction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	
Gross Approvals—								
1947—January	7,611	15,465	23,076	2,698	2,144	4,842	27,918	297
February	10,175	15,614	25,789	1,555	4,150	5,705	31,494	295
March	97,842	130,289	228,131	21,436	36,421	57,857	285,988	976
April (1)	63,823	160,316	224,139	17,098	15,669	32,767	256,906	884
May (1)	60,297	110,307	170,604	15,582	8,850	24,432	195,036	961
June (1)	9,339	19,721	29,060	1,660	17,025	18,685	47,745	395
Total Gross Approvals	410,933	795,067	1,206,000	108,169	139,893	248,062	1,454,062	8,095
Cancellations, Reinstatements and Adjustments	11,188	37,248	48,436	2,253	11,091	13,344	61,780	41
Total Net Approvals	399,745	757,819	1,157,564	105,916	128,802	234,718	1,392,282	8,054

(1) Approvals relate to applications received prior to March 31, 1947.

TABLE II.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND DATE OF COMMENCEMENT INTENTIONS, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949 (1)

Year and Month	New Investment			Transfer of Property			Total Applications	
	Construction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	
1944—November	46,995	115,036	162,031	3,832	5,391	9,223	171,254	695
December	7,519	13,984	21,503	670	712	1,382	22,885	185
1945—January	4,180	15,547	19,727	1,133	1,866	2,999	22,726	189
February	6,189	17,187	23,376	1,734	762	2,496	25,872	197
March	4,040	9,347	13,387	158	733	891	14,278	117
April	7,210	13,151	20,361	1,567	2,439	4,006	24,367	194
May	8,504	13,202	21,706	357	1,039	1,396	23,102	131
June	5,238	8,155	13,393	962	1,453	2,415	15,808	160
July	4,577	12,185	16,762	574	1,468	2,042	18,804	162
August	7,468	17,878	25,346	6,669	3,787	10,456	35,802	122
September	11,532	19,500	31,032	506	1,947	2,453	33,485	109
October	7,247	9,245	16,492	515	1,840	2,355	18,847	103
November	10,116	13,812	23,928	2,795	2,587	5,382	29,310	84
December	5,824	7,874	13,698	1,364	3,932	5,296	18,994	68
1946—January	15,216	41,337	56,553	12,112	14,277	26,389	82,942	323
February	3,667	10,127	13,794	635	5,239	5,874	19,668	81
March	5,459	14,671	20,130	4,663	8,262	12,925	33,055	197
April	8,901	11,029	19,930	20,547	3,702	24,249	44,179	196
May	8,151	16,492	24,643	6,859	10,713	17,572	42,215	188
June	5,964	9,713	15,677	1,823	1,409	3,232	18,909	82
July	8,474	9,859	18,333	891	1,639	2,530	20,863	182
August	5,286	12,581	17,867	1,379	3,039	4,418	22,285	178
September	10,288	25,026	35,314	910	3,347	4,257	39,571	230
October	13,626	19,916	33,542	2,669	7,153	9,822	43,364	192
November	6,440	12,161	18,601	492	1,032	1,524	20,125	117
December	7,331	16,806	24,137	2,163	6,440	8,603	32,740	181
1947—January	28,775	51,977	80,752	8,664	7,437	16,101	96,853	125
February	6,618	9,573	16,191	1,552	1,431	2,983	19,174	77
March	71,737	129,192	200,929	12,662	20,482	33,144	234,073	2,699
April	12,576	18,277	30,853	824	1,267	2,091	32,944	160
May	17,378	34,152	51,530	1,773	936	2,709	54,239	117

TABLE II.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND DATE OF COMMENCEMENT INTENTIONS, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949 (1)—*Continued*

Year and Month	New Investment			Transfer of Property			Total Applications	
	Construction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	
1947—June	9,396	15,093	24,489	129	133	262	24,751	66
July	4,983	3,806	8,789	70	596	666	9,455	49
August	2,778	3,109	5,887	13	34	47	5,934	28
September	8,581	3,818	12,399	2,250	28	2,278	14,677	30
October	891	853	1,744	—	—	—	1,744	15
November	590	1,617	2,207	—	250	250	2,457	9
December	—	20	20	—	—	—	20	3
1948—January	—	416	416	—	—	—	416	6
February	—	61	61	—	—	—	61	3
March	—	34	34	—	—	—	34	4
Total Net Approvals	399,745	757,819	1,157,564	105,916	128,802	234,718	1,392,282	8,054

(1) Applications for special depreciation were accepted and approved between November 10, 1944, and March 31, 1947. Projects initiated prior to November 10, 1944, are included with regard to that part of expenditure made after this date. All projects must be completed by March 31, 1949.

TABLE III.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND PROVINCES, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Province	New Investment			Transfer of Property			Total Applications		Proportion of Total Applications	
	Construction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's		per cent	per cent
Prince Edward Island	670	324	994	21	38	59	1,053	15	·1	·2
Nova Scotia	6,306	7,533	13,839	3,531	9,857	13,388	27,227	198	2·0	2·5
New Brunswick	7,597	22,421	30,018	6,061	1,158	7,219	37,237	328	2·7	4·1
Quebec	139,873	291,763	431,636	31,373	46,405	77,778	509,414	2,345	36·6	29·1
Ontario	186,119	338,764	524,883	41,814	38,320	80,134	605,017	3,742	43·4	46·5
Manitoba	4,251	9,440	13,691	384	483	867	14,558	237	1·0	2·9
Saskatchewan	1,735	4,436	6,171	52	217	269	6,440	95	·5	1·2
Alberta	6,385	13,925	20,310	2,443	3,888	6,331	26,641	213	1·9	2·6
British Columbia (1)	46,809	69,213	116,022	20,237	28,436	48,673	164,695	881	11·8	10·9
Canada (2)	399,745	757,819	1,157,564	105,916	128,802	234,718	1,392,282	8,054	100·0	100·0

(1) Including Yukon.
(2) Excluding Northwest Territories.

TABLE IV.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION ON A PER 1,000 POPULATION BASIS, BY PROVINCES, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Province	Population June 1, 1947 (1)	Total Approvals			Approvals per 1,000 Population		Rank of Province	
		Expenditure	Applications	Average expenditure per application	Expenditure for new investment and transfer of property	Expenditure for new investment	Expenditure for new investment and transfer of property	Expenditure for new investment
	number	$000's	number	$000's	$000's	$000's		
Prince Edward Island	94,000	1,053	15	70	11	11	8	8
Nova Scotia	621,000	27,227	198	138	44	22	5	6
New Brunswick	491,000	37,237	328	114	76	61	4	4
Quebec	3,712,000	509,414	2,345	217	137	116	3	2
Ontario	4,189,000	605,017	3,742	162	144	125	2	1
Manitoba	743,000	14,558	237	61	20	18	7	7
Saskatchewan	842,000	6,440	95	68	8	7	9	9
Alberta	822,000	26,641	213	125	32	25	6	5
British Columbia (2)	1,052,000	164,695	881	187	157	110	1	3
Canada (3)	12,566,000	1,392,282	8,054	173	111	92	—	—

(1) Estimate by courtesy of Dominion Bureau of Statistics.
(2) Including Yukon.
(3) Excluding Northwest Territories.

TABLE V.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND MAJOR CITIES AND OTHER AREAS, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Area	New Investment			Transfer of Property			Total Applications		Proportion of Total Applications	
	Con-struction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's		per cent	per cent
Metropolitan Areas—										
Halifax	1,205	2,435	3,640	1,436	7,984	9,420	13,060	77	·9	1·0
Hamilton	12,769	44,540	57,309	1,644	1,865	3,509	60,818	253	4·4	3·1
London	6,582	9,785	16,367	124	283	407	16,774	115	1·2	1·4
Montreal	75,877	105,701	181,578	30,549	35,288	65,837	247,415	1,219	17·8	15·1
Ottawa	8,346	15,995	24,341	537	267	804	25,145	129	1·8	1·6
Quebec	3,249	2,968	6,217	687	310	997	7,214	62	·5	·8
Saint John	1,573	7,756	9,329	5,984	501	6,485	15,814	68	1·1	·8
Toronto	57,228	80,766	137,994	20,984	13,289	34,273	172,267	1,234	12·4	15·3
Vancouver	11,584	21,271	32,855	4,563	20,259	24,822	57,677	456	4·1	5·7
Victoria	1,069	2,838	3,907	—	483	483	4,390	34	·3	·4
Windsor	4,883	4,439	9,322	1,207	704	1,911	11,233	97	·8	1·2
Winnipeg	3,493	7,605	11,098	369	390	759	11,857	202	·9	2·5
Sub-total	187,858	306,099	493,957	68,084	81,623	149,707	643,664	3,946	46·2	48·9
Other Major Cities—										
Brantford	2,284	6,772	9,056	154	505	659	9,715	57	·7	·7
Calgary	2,094	4,334	6,428	227	1,971	2,198	8,626	60	·6	·7
Edmonton	2,714	3,206	5,920	568	276	844	6,764	69	·5	·9
Fort William	2,413	5,599	8,012	399	1,923	2,322	10,334	36	·7	·4
Kingston	4,812	9,820	14,632	1,044	1,116	2,160	16,792	45	1·2	·6
Kitchener	4,398	12,605	16,998	18	363	381	17,379	223	1·2	2·9
Regina	294	1,495	1,789	31	89	120	1,909	20	·1	·2
St. Catharines	3,776	13,039	16,815	1,216	6,410	7,626	24,441	99	1·9	1·2
Saskatoon	44	369	413	20	1	21	434	15	·0	·2
Sherbrooke	800	2,726	3,526	155	930	1,085	4,611	57	·3	·7
Sudbury	3,253	4,280	7,533	—	20	20	7,553	7	·5	·1
Three Rivers	3,688	15,029	18,717	63	2,191	2,254	20,971	106	1·6	1·3
Sub-total	30,565	79,274	109,839	3,895	15,795	19,690	129,529	794	9·3	9·9
Combined 24 Cities (1)	218,423	385,373	603,796	71,979	97,418	169,397	773,193	4,740	55·5	58·8
All Other Areas	181,322	372,446	553,768	33,937	31,384	65,321	619,089	3,314	44·5	41·2
Canada (2)	399,745	757,819	1,157,564	105,916	128,802	234,718	1,392,282	8,054	100·0	100·0

(1) Cities with population of 30,000 and over (on the basis of the 1941 Census).
(2) Excludes Northwest Territories.

Table VI.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, ON A PER 1,000 POPULATION BASIS, BY MAJOR CITIES, AND OTHER AREAS, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Area	Population 1946 (1)	Total Approvals			Approvals per 1,000 Population		Rank of City	
		Expenditure	Applications	Average expenditure per application	Expenditure for new investment and transfer of property	Expenditure for new investment	Expenditure for new investment and transfer of property	Expenditure for new investment
	Number	$000's	Number	$000's	$000's	$000's		
Metropolitan Areas—								
Halifax	142,144	13,060	77	170	92	26	16	23
Hamilton	194,676	60,818	253	240	312	294	6	5
London	98,244	16,774	115	146	171	167	12	9
Montreal	1,237,257	247,415	1,219	203	200	147	10	10
Ottawa	239,065	25,145	129	195	105	102	15	13
Quebec	239,256	7,214	62	116	30	26	23	22
Saint John	68,827	15,814	68	233	230	136	8	12
Toronto	959,308	172,267	1,234	140	180	144	11	11
Vancouver	426,850	57,677	456	126	135	77	13	15
Victoria	95,500	4,390	34	129	46	41	20	19
Windsor	144,530	11,233	97	116	78	64	18	16
Winnipeg	307,494	11,857	202	59	39	36	21	20
Sub-total	4,153,151	643,664	3,946	163	155	119	—	—
Other Major Cities—								
Brantford	34,810	9,715	57	170	279	260	7	7
Calgary	100,044	8,626	60	144	86	64	17	17
Edmonton	113,116	6,764	69	98	60	52	19	18
Fort William	29,722	10,334	36	287	348	270	5	6
Kingston	31,800	16,792	45	373	528	460	2	2
Kitchener	37,724	17,379	223	78	461	451	3	3
Regina	60,246	1,909	20	95	32	30	22	21
St. Catharines	35,191	24,441	99	247	695	478	1	1
Saskatoon	46,028	434	15	29	9	9	24	24
Sherbrooke	38,942	4,611	57	81	118	91	14	14
Sudbury	35,996	7,553	7	1,079	210	209	9	8
Three Rivers	46,000	20,971	106	198	456	407	4	4
Sub-total	609,619	129,529	794	163	212	180	—	—
Combined 24 Cities	4,762,770	773,193	4,740	163	162	127	—	—
All other areas	7,528,230	619,089	3,314	187	82	74	—	—
Canada (2)	12,291,000	1,392,282	8,054	173	113	94	—	—

(1) Population figures for individual municipalities are for 1946 or as near to 1946 as available from municipal sources. These data together with population estimates for Canada as a whole are by courtesy of Dominion Bureau of Statistics.
(2) Excluding Northwest Territories.

TABLE VII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Industry	New Investment			Transfer of Property			Total Applications		Proportion of Total Applications	
	Con-struction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number	Expenditure	Number
Manufacturing Industries—	$000's	$000's	$000's	$000's	$000's	$000's	$000's		per cent	per cent
Vegetable and Animal Products—Food:										
(1) Vegetable Food Products...	67,950	74,531	142,481	3,070	4,927	7,997	150,478	789	10·8	9·8
(2) Animal Food Products......	12,993	14,418	27,411	523	2,345	2,868	30,279	476	2·2	5·9
(3) Tobacco....................	7,120	6,679	13,799	323	102	425	14,224	84	1·0	1·1
Sub-total..................	88,063	95,628	183,691	3,916	7,374	11,290	194,981	1,349	14·0	16·8
Vegetable and Animal Products—Non-food:										
(1) Rubber.....................	5,723	15,977	21,700	393	854	1,247	22,947	297	1·6	3·7
(2) Leather.....................	3,101	2,425	5,526	167	606	773	6,299	115	·5	1·4
(3) Furs........................	532	194	726	10	76	86	812	8	·1	·1
Sub-total..................	9,356	18,596	27,952	570	1,536	2,106	30,058	420	2·2	5·2
Textiles and Textile Products:										
(1) Primary Textiles...........	20,029	63,015	83,044	1,079	4,366	5,445	88,489	372	6·4	4·6
(2) Clothing and Other Textiles	7,386	24,142	31,528	634	1,833	2,467	33,995	672	2·4	8·4
Sub-total..................	27,415	87,157	114,572	1,713	6,199	7,912	122,484	1,044	8·8	13·0
Wood and Paper Products:										
(1) Lumber and Lumber Products (1)..................	22,587	35,536	58,123	1,254	5,520	6,774	64,897	723	4·7	9·0
(2) Pulp and Paper.............	65,367	194,425	259,792	10,165	3,315	13,480	273,272	784	19·6	9·7
(3) Printing and Publishing.....	10,017	19,229	29,246	582	1,197	1,779	31,025	215	2·2	2·7
Sub-total..................	97,971	249,190	347,161	12,001	10,032	22,033	369,194	1,722	26·5	21·4

TABLE VII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	New Investment			Transfer of Property			Total Applications		Proportion of Total Applications	
	Con-struction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's		per cent	per cent
Iron and Its Products:										
(1) Primary Iron and Steel.....	3,338	10,867	14,205	1,217	1,722	2,939	17,144	134	1·2	1·7
(2) Iron and Steel Fabricated Products (excluding Vehicles)	30,620	61,081	91,701	4,303	11,380	15,683	107,384	970	7·7	12·0
(3) Vehicles and Parts (1).......	11,902	16,950	28,852	1,990	14,768	16,758	45,610	208	3·3	2·6
Sub-total..................	45,860	88,898	134,758	7,510	27,870	35,380	170,138	1,312	12·2	16·3
Non-Ferrous Metal Products and Electrical Apparatus:										
(1) Non-Ferrous Metal Products	11,933	16,480	28,413	1,240	3,924	5,164	33,577	213	2·4	2·6
(2) Electrical Apparatus........	12,696	23,272	35,968	4,780	12,762	17,542	53,510	357	3·9	4·4
Sub-total..................	24,629	39,752	64,381	6,020	16,686	22,706	87,087	570	6·3	7·0
Non-Metallic Mineral Products:										
(1) Fuel and Fuel Products.....	9,167	42,590	51,757	78	641	719	52,476	45	3·8	·6
(2) Cement, Lime, Salt, Clay and Stone Products..........	18,352	30,896	49,248	6,882	1,434	8,316	57,564	335	4·1	4·2
(3) Glass and Glass Products...	4,223	6,774	10,997	396	191	587	11,584	139	·8	1·6
Sub-total..................	31,742	80,260	112,002	7,356	2,266	9,622	121,624	519	8·7	6·4
Chemicals and Allied Products:										
(1) Industrial, Domestic and Agricultural Chemicals.......	27,029	24,986	52,015	7,926	717	8,643	60,658	233	4·4	2·9
(2) Drugs, Cosmetics, Soaps....	9,329	9,772	19,101	504	405	909	20,010	39	1·4	·5
(3) Miscellaneous Chemical Products....................	11,857	23,424	35,281	332	729	1,061	36,342	96	2·6	1·2
Sub-total..................	48,215	58,182	106,397	8,762	1,851	10,613	117,010	368	8·4	4·6

TABLE VII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY TYPE OF EXPENDITURE AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	New Investment			Transfer of Property			Total applications		Proportion of Total Applications	
	Con-struction	Machinery and equipment	Sub-total	Existing buildings and structures	Used machinery and equipment	Sub-total	Expenditure	Number	Expenditure	Number
	$000's	$000's	$000's	$000's	$000's	$000's	$000's		per cent	per cent
Miscellaneous Manufacturing Products	6,426	5,977	12,403	411	961	1,372	13,775	241	1·0	3·0
Total Manufacturing Industries (1)	379,677	723,640	1,103,317	48,259	74,775	123,034	1,226,351	7,545	88·1	93·7
Primary Industries—										
Mining										
(1) Metallic Mining (2)	4,025	5,193	9,218	—	127	127	9,345	14	·7	·2
(2) Non-Metallic Mining (3)	739	2,468	3,207	8	357	365	3,572	31	·2	·4
Sub-total	4,764	7,661	12,425	8	484	492	12,917	45	·9	·6
Woods Operations	6,510	14,252	20,762	6,473	6,902	13,375	34,137	168	2·5	2·0
Total Primary Industries	11,274	21,913	33,187	6,481	7,386	13,867	47,054	213	3·4	2·6
Special Industries—										
Shipbuilding	1,454	884	2,338	1,283	1,022	2,305	4,643	48	·3	·6
Commercial Shipping	6,680	2,638	9,318	48,221	43,437	91,658	100,976	152	7·3	1·9
Construction	660	8,744	9,404	1,672	2,182	3,854	13,258	96	·9	1·2
Total Special Industries	8,794	12,266	21,060	51,176	46,641	97,817	118,877	296	8·5	3·7
GRAND TOTAL	399,745	757,819	1,157,564	105,916	128,802	234,718	1,392,282	8,054	100·0	100·0

(1) Excluding Shipbuilding.
(2) Excluding Non-Ferrous Metal Smelting and Refining listed under Manufacturing.
(3) Excluding Non-Metallic Mineral Products listed under Manufacturing.

TABLE VIII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, ON A PER 1,000 EMPLOYEE BASIS, BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949.

Industry	Employees in Industry in 1945(1)	Total Approvals			Approvals per 1,000 Employees		Rank of Industry	
		Expenditure	Applications	Average expenditure per application	Expenditure	Applications	Expenditure for new investment and transfer of property	Expenditure for new investment
	Number	$000's	Number	$000's	$000's	Number		
Manufacturing Industries—								
Vegetable and Animal Products—Food:								
(1) Vegetable Food Products	99,657	150,478	789	191	1,510	7·9	8	7
(2) Animal Food Products	56,631	30,279	476	64	535	8·4	19	18
(3) Tobacco	12,164	14,224	84	169	1,169	6·9	12	10
Sub-total	168,452	194,981	1,349	145	1,157	8·0	—	—
Vegetable and Animal Products—Non-Food:								
(1) Rubber	23,490	22,947	297	77	977	12·6	13	11
(2) Leather	34,437	6,299	115	55	183	3·3	25	25
(3) Furs	7,199	812	8	102	113	1·1	26	26
Sub-total	65,126	30,058	420	72	462	6·4	—	—
Textiles and Textile Products:								
(1) Primary Textiles	37,930	88,489	372	238	2,333	9·8	6	5
(2) Clothing and Other Textiles	120,218	33,995	672	51	283	5·6	23	23
Sub-total	158,148	122,484	1,044	117	774	6·6	—	—
Wood and Paper Products:								
(1) Lumber and Lumber Products (2)	94,301	64,897	723	90	688	7·7	17	16
(2) Pulp and Paper	60,170	273,272	784	349	4,542	13·0	2	2
(3) Printing and Publishing	43,565	31,025	215	144	712	4·9	16	14
Sub-total	198,036	369,194	1,722	214	1,864	8·7	—	—

Table VIII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, ON A PER 1,000 EMPLOYEE BASIS, BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Employees in Industry in 1945(1)	Total Approvals			Approvals per 1,000 Employees		Rank of Industry	
		Expenditure	Applications	Average expenditure per application	Expenditure	Applications	Expenditure for new investment and transfer of property	Expenditure for new investment
	Number	$000's	Number	$000's	$000's	Number		
Iron and its Products:								
(1) Primary Iron and Steel	45,104	17,144	134	128	380	3·0	21	19
(2) Iron and Steel Fabricated Products (excluding Vehicles)	124,865	107,384	970	111	860	7·8	14	13
(3) Vehicles and Parts (2)	103,632	45,610	208	219	440	2·0	20	22
Sub-total	273,601	170,138	1,312	130	622	4·8	—	—
Non-Ferrous Metal Products and Electrical Apparatus:								
(1) Non-Ferrous Metal Products	44,221	33,577	213	158	759	4·8	15	15
(2) Electrical Apparatus	44,129	53,510	357	150	1,213	8·1	11	12
Sub-total	88,350	87,087	570	153	986	6·5	—	—
Non-Metallic Mineral Products:								
(1) Fuel and Fuel Products	11,532	52,476	45	1,166	4,550	3·9	1	1
(2) Cement, Lime, Salt, Clay and Stone Products	15,163	57,564	335	172	3,796	22·1	3	3
(3) Glass and Glass Products	5,830	11,584	139	83	1,987	23·8	7	6
Sub-total	32,525	121,624	519	234	3,739	16·0	—	—
Chemicals and Allied Products:								
(1) Industrial, Domestic and Agricultural Chemicals	17,823	60,658	233	260	3,403	13·1	4	4
(2) Drugs, Cosmetics, Soaps	13,686	20,010	39	513	1,462	2·8	9	8
(3) Miscellaneous Chemical Products	29,214	36,342	96	379	1,244	3·3	10	9
Sub-total	60,723	117,010	368	318	1,927	6·1	—	—

TABLE VIII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, ON A PER 1,000 EMPLOYEE BASIS, BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Employees in Industry in 1945 (1)	Total Approvals			Approvals per 1,000 Employees		Rank of Industry	
		Expenditure	Applications	Average expenditure per application	Expenditure	Applications	Expenditure for new investment and transfer of property	Expenditure for new investment
	Number	$000's	Number	$000's	$000's	Number		
Miscellaneous Manufacturing Products	24,956	13,775	241	57	552	9·7	18	17
Total Manufacturing Industries (2)	1,069,917	1,226,351	7,545	163	1,146	7·1	—	—
Primary Industries—								
Mining								
(1) Metallic Mining (3)	32,913	9,345	14	668	284	·43	22	21
(2) Non-Metallic Mining (4)	40,981	3,572	31	115	87	·76	29	27
Sub-total	73,894	12,917	45	287	175	·61	—	—
Woods Operations	121,860	34,137	168	203	280	1·4	24	24
Total Primary Industries	195,754	47,054	213	221	240	1·1	—	—
Special Industries—								
Shipbuilding	49,455	4,643	48	97	94	1·0	27	29
Commercial Shipping	31,800 (5)	100,976	152	664	3,175	4·8	5	20
Construction	146,530	13,258	96	138	90	·7	28	28
Total Special Industries	227,785	118,877	296	402	522	1·3	—	—
GRAND TOTAL	1,493,456	1,392,282	8,054	173	932	5·4	—	—

(1) Employment figures by courtesy of Dominion Bureau of Statistics.
(2) Excluding Shipbuilding.
(3) Excluding Non-Ferrous Metal Smelting and Refining listed under Manufacturing.
(4) Excluding Non-Metallic Mineral Products listed under Manufacturing.
(5) Estimate by Department of Reconstruction and Supply.

TABLE IX.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF EXPENDITURE AND PROVINCES, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Province	Under $5,000	$5,000-$9,999	$10,000-$24,999	$25,000-$49,999	$50,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$1,999,999	$2,000,000-$4,999,999	$5,000,000 and over	Total
Number of Applications—												
Prince Edward Island	0	1	2	8	2	1	1	0	0	0	0	15
Nova Scotia	26	18	45	27	26	28	16	8	3	0	1	198
New Brunswick	122	28	46	37	30	41	14	5	3	1	1	328
Quebec	574	233	451	238	216	268	153	106	59	37	10	2,345
Ontario	932	556	798	281	339	431	175	124	55	39	12	3,742
Manitoba	46	28	49	48	36	21	6	0	2	1	0	237
Saskatchewan	31	9	23	11	9	7	2	2	1	0	0	95
Alberta	22	29	41	37	30	23	17	10	2	2	0	213
British Columbia (1)	201	89	153	135	103	97	30	29	26	11	7	881
Canada (2)	1,954	991	1,608	822	791	917	414	284	151	91	31	8,054
Amount of Expenditures— $ thousands												
Prince Edward Island	0	6	28	291	148	156	424	0	0	0	0	1,053
Nova Scotia	54	137	737	926	1,870	3,948	5,595	4,526	4,130	0	5,304	27,227
New Brunswick	149	184	776	1,274	2,210	5,101	4,172	3,071	4,155	3,870	12,275	37,237
Quebec	670	1,480	6,266	7,171	11,872	36,497	59,631	79,954	77,323	110,994	117,556	509,414
Ontario	1,036	3,537	10,637	9,241	19,284	59,476	53,675	84,216	88,072	149,314	126,529	605,017
Manitoba	76	181	792	1,768	2,188	2,622	2,038	0	2,542	2,351	0	14,558
Saskatchewan	47	59	346	398	644	1,208	781	1,834	1,123	0	0	6,440
Alberta	40	201	626	1,434	1,882	3,954	4,610	5,750	2,338	5,806	0	26,641
British Columbia (1)	301	602	2,539	4,912	6,298	16,429	13,081	19,171	35,751	24,783	40,828	164,695
Canada (2)	2,373	6,387	22,747	27,415	46,396	129,391	144,007	198,522	215,434	297,118	302,492	1,392,282

(1) Including Yukon.
(2) Excluding Northwest Territories.

TABLE X.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF INVESTMENT AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Industry	Under $5,000	$5,000-$9,999	$10,000-$24,999	$25,000-$49,999	$50,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$1,999,999	$2,000,000-$4,999,999	$5,000,000 and over	Total
NUMBER OF APPLICATIONS												
Manufacturing Industries—												
Vegetable and Animal Products—Food:												
(1) Vegetable Food Products	301	85	127	59	43	58	31	30	33	21	1	789
(2) Animal Food Products	167	69	118	36	31	36	10	5	2	2	—	476
(3) Tobacco	31	12	12	6	6	6	3	5	1	2	—	84
Sub-total	499	166	257	101	80	100	44	40	36	25	1	1,349
Vegetable and Animal Products—Non-Food:												
(1) Rubber	117	35	49	35	22	15	13	8	2	1	—	297
(2) Leather	16	23	31	18	11	10	4	2	—	—	—	115
(3) Furs	—	1	2	1	1	2	1	—	—	—	—	8
Sub-total	133	59	82	54	34	27	18	10	2	1	—	420
Textiles and Textile Products:												
(1) Primary Textiles	41	41	70	53	46	57	30	21	8	2	3	372
(2) Clothing and Other Textiles	198	109	153	69	65	53	15	5	5	—	—	672
Sub-total	239	150	223	122	111	110	45	26	13	2	3	1,044
Wood and Paper Products:												
(1) Lumber and Lumber Products	173	88	225	80	48	47	24	26	9	3	—	723
(2) Pulp and Paper	147	107	161	82	76	103	35	23	26	14	10	784
(3) Printing and Publishing	58	21	38	21	25	32	12	3	2	2	1	215
Sub-total	378	216	424	183	149	182	71	52	37	19	11	1,722

TABLE X.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF INVESTMENT AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Under $5,000	$5,000-$9,999	$10,000-$24,999	$25,000-$49,999	$50,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$1,999,999	$2,000,000-$4,999,999	$5,000,000 and over	Total
NUMBER OF APPLICATIONS—*Cont.*												
Iron and its Products:												
(1) Primary Iron and Steel....	26	24	29	8	14	13	12	6	—	2	—	134
(2) Iron and Steel Fabricated Products (excluding Vehicles)....................	271	126	191	103	70	129	40	25	8	5	2	970
(3) Vehicles and Parts.........	37	27	43	12	19	34	15	11	3	7	—	208
Sub-total.................	334	177	263	123	103	176	67	42	11	14	2	1,312
Non-Ferrous Metal and Electrical Apparatus:												
(1) Non-Ferrous Metal Products	42	31	43	20	30	21	12	6	5	2	1	213
(2) Electrical Apparatus.......	74	36	35	34	50	67	34	22	3	2	—	357
Sub-total.................	116	67	78	54	80	88	46	28	8	4	1	570
Non-Metallic Mineral Products:												
(1) Fuel and Fuel Products....	6	2	4	2	6	6	6	4	4	1	4	45
(2) Cement, Lime, Salt, Clay and Stone Products..........	55	27	60	37	52	53	24	15	10	—	2	335
(3) Glass and Glass Products..	25	22	34	16	18	13	4	6	—	1	—	139
Sub-total.................	86	51	98	55	76	72	34	25	14	2	6	519
Chemicals and Allied Products:												
(1) Industrial, Domestic and Agricultural Chemicals......	28	26	44	31	34	39	11	7	6	5	2	233
(2) Drugs, Cosmetics, Soaps..	3	2	3	7	4	8	4	4	3	—	1	39
(3) Miscellaneous Chemical Products....................	18	5	9	6	7	17	19	10	1	4	—	96
Sub-total.................	49	33	56	44	45	64	34	21	10	9	3	368

Table X.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF INVESTMENT AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Under $5,000	$5,000-$9,999	$10,000-$24,999	$25,000-$49,999	$50,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$1,999,999	$2,000,000-$4,999,999	$5,000,000 and over	Total
Number of Applications—*Cont.*												
Miscellaneous Manufacturing Products	77	35	49	19	32	23	3	1	1	1	—	241
Total Manufacturing Industries	1,911	954	1,530	755	710	842	362	245	132	77	27	7,545
Primary Industries—												
Mining:												
(1) Metallic Mining	—	—	1	1	2	6	—	1	2	1	—	14
(2) Non-Metallic Mining	4	2	3	5	5	8	3	1	—	—	—	31
Sub-total	4	2	4	6	7	14	3	2	2	1	—	45
Woods Operations	14	12	39	30	32	18	6	7	4	6	—	168
Total Primary Industries	18	14	43	36	39	32	9	9	6	7	—	213
Special Industries—												
Shipbuilding	5	9	12	9	6	4	—	2	1	—	—	48
Commercial Shipping	4	5	8	8	25	26	30	24	11	7	4	152
Construction	16	9	15	14	11	13	13	4	1	—	—	96
Total Special Industries	25	23	35	31	42	43	43	30	13	7	4	296
Grand Total	1,954	991	1,608	822	791	917	414	284	151	91	31	8,054
Amount of Expenditures $ thousands												
Manufacturing Industries—												
Vegetable and Animal Products—												
Food:												
(1) Vegetable Food Products	304	497	1,777	1,980	3,199	7,134	9,710	21,989	45,983	52,405	5,500	150,478
(2) Animal Food Products	194	448	1,766	1,198	2,056	4,634	3,232	4,192	3,218	9,341	—	30,279
(3) Tobacco	45	79	186	189	391	916	1,068	3,711	1,221	6,418	—	14,224
Sub-total	543	1,024	3,729	3,367	5,646	12,684	14,010	29,892	50,422	68,164	5,500	194,981

TABLE X.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF INVESTMENT AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Under $5,000	$5,000-$9,999	$10,000-$24,999	$25,000-$49,999	$50,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$1,999,999	$2,000,000-$4,999,999	$5,000,000 and over	Total
AMOUNT OF EXPENDITURES—*Cont.* $ THOUSANDS												
Vegetable and Animal Products—Non-Food:												
(1) Rubber	172	212	679	1,134	1,155	2,294	4,588	5,623	2,480	4,610	—	22,947
(2) Leather	21	175	486	604	716	1,318	1,307	1,672	—	—	—	6,299
(3) Furs	—	9	22	46	55	347	333	—	—	—	—	812
Sub-total	193	396	1,187	1,784	1,926	3,959	6,228	7,295	2,480	4,610	—	30,058
Textiles and Textile Products:												
(1) Primary Textiles	54	249	955	2,057	2,483	8,588	10,911	14,455	13,568	7,492	27,677	88,489
(2) Clothing and Other Textiles	286	671	2,034	2,181	3,510	9,333	4,923	3,639	7,418	—	—	33,995
Sub-total	340	920	2,989	4,238	5,993	17,921	15,834	18,094	20,986	7,492	27,677	122,484
Wood and Paper Products:												
(1) Lumber and Lumber Products	172	591	2,811	2,336	2,592	7,065	8,286	17,498	12,459	11,087	—	64,897
(2) Pulp and Paper	138	709	2,132	2,701	4,104	12,858	12,235	18,111	37,736	57,723	124,825	273,272
(3) Printing and Publishing	57	140	567	828	1,253	4,523	4,247	2,106	3,512	7,792	6,000	31,025
Sub-total	367	1,440	5,510	5,865	7,949	24,446	24,768	37,715	53,707	76,602	130,825	369,194
Iron and its Products:												
(1) Primary Iron and Steel	39	159	492	272	760	1,820	4,360	4,055	—	5,187	—	17,144
(2) Iron and Steel Fabricated Products (excluding Vehicles)	331	805	2,767	3,552	3,973	15,481	14,328	16,555	11,679	17,913	20,000	107,384
(3) Vehicles and Parts	41	199	662	404	1,059	4,512	4,910	7,353	3,773	22,697	—	45,610
Sub-total	411	1,163	3,921	4,228	5,792	21,813	23,598	27,963	15,452	45,797	20,000	170,138

TABLE X.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF INVESTMENT AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Under $5,000	$5,000-$9,999	$10,000-$24,999	$25,000-$49,999	$50,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$1,999,999	$2,000,000-$4,999,999	$5,000,000 and over	Total
AMOUNT OF EXPENDITURES—*Cont.* $ THOUSANDS												
Non-Ferrous Metal and Electrical Apparatus:												
(1) Non-Ferrous Metal Products	52	207	681	707	1,689	3,573	4,129	4,019	6,233	4,987	7,300	33,577
(2) Electrical Apparatus	87	236	527	1,069	3,137	8,990	10,623	15,140	4,095	9,606	—	53,510
Sub-total	139	443	1,208	1,776	4,826	12,563	14,752	19,159	10,328	14,593	7,300	87,087
Non-Metallic Mineral Products:												
(1) Fuel and Fuel Products	7	10	56	50	463	976	2,275	2,633	4,741	2,183	39,082	52,476
(2) Cement, Lime, Salt, Clay and Stone Products	70	174	889	1,122	2,890	6,710	7,623	10,999	14,349	—	12,738	57,564
(3) Glass and Glass Products	52	143	566	586	1,208	2,030	1,319	3,630	—	2,050	—	11,584
Sub-total	129	327	1,511	1,758	4,561	9,716	11,217	17,262	19,090	4,233	51,820	121,624
Chemicals and Allied Products:												
(1) Industrial, Domestic and Agricultural Chemicals	36	158	686	1,121	1,815	5,968	3,791	4,633	7,244	16,791	18,415	60,658
(2) Drugs, Cosmetics, Soaps	7	11	58	212	311	1,606	1,462	3,005	5,406	—	7,932	20,010
(3) Miscellaneous Chemical Products	20	39	149	200	467	3,010	7,677	6,867	1,877	16,036	—	36,342
Sub-total	63	208	893	1,533	2,593	10,584	12,930	14,505	14,527	32,827	26,347	117,010
Miscellaneous Manufacturing Products	105	212	650	672	1,780	3,479	1,390	525	1,732	3,230	—	13,775
Total Manufacturing Industries	2,290	6,133	21,598	25,221	41,066	117,165	124,727	172,410	188,724	257,548	269,469	1,226,351

TABLE X.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY SIZE OF INVESTMENT AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	Under $5,000	$5,000-$9,999	$10,000-$24,999	$25,000-$49,999	$50,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$1,999,999	$2,000,000-$4,999,999	$5,000,000 and over	Total
AMOUNT OF EXPENDITURES—*Cont.* $ THOUSANDS												
Primary Industries—												
Mining												
(1) Metallic Mining	—	—	23	41	102	824	—	680	3,029	4,646	—	9,345
(2) Non-Metallic Mining	7	14	47	164	282	1,021	1,060	977	—	—	—	3,572
Sub-total	7	14	70	205	384	1,845	1,060	1,657	3,029	4,646	—	12,917
Woods Operations	31	73	533	919	2,231	2,538	1,918	5,015	5,590	15,289	—	34,137
Total Primary Industries	38	87	603	1,124	2,615	4,383	2,978	6,672	8,619	19,935	—	47,054
Special Industries—												
Shipbuilding	13	60	180	323	565	750	—	1,487	1,265	—	—	4,643
Commercial Shipping	9	43	130	327	1,384	4,121	11,616	14,986	15,702	19,635	33,023	100,976
Construction	23	64	236	420	766	2,972	4,686	2,967	1,124	—	—	13,258
Total Special Industries	45	167	546	1,070	2,715	7,843	16,302	19,440	18,091	19,635	33,023	118,877
GRAND TOTAL	2,373	6,387	22,747	27,415	46,396	129,391	144,007	198,522	215,434	297,118	302,492	1,392,282

Table XI.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION, BY ECONOMIC CLASSIFICATION OF EXPENDITURES AND BY SIZE OF INVESTMENT, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Size Distribution	New Investment								Transfer of Property			Total New Investment and Transfer of Property.
	Construction				Machinery and equipment			Total new investment	Purchase of buildings and other structures	Purchase of used machinery and equipment	Total transfer of property	
	Labour	Materials	Other	Sub-total	Canadian manufacture	Foreign manufacture	Sub-total					
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Under $5,000	70	89	20	179	1,314	619	1,933	2,112	5	256	261	2,373
$5,000–$9,999	315	386	45	746	3,008	1,819	4,827	5,573	68	746	814	6,387
$10,000–$24,999	1,708	2,304	347	4,359	9,605	6,073	15,678	20,037	368	2,342	2,710	22,747
$25,000–$49,999	2,693	3,534	575	6,802	10,062	6,501	16,563	23,365	826	3,224	4,050	27,415
$50,000–$99,999	5,067	6,832	1,433	13,332	16,466	10,772	27,238	40,570	1,547	4,279	5,826	46,396
$100,000–$249,999	15,490	19,579	3,879	38,948	41,056	31,925	72,981	111,929	4,781	12,681	17,462	129,391
$250,000–$499,999	16,034	21,899	3,787	41,720	46,844	31,622	78,466	120,186	11,875	11,946	23,821	144,007
$500,000–$999,999	25,312	31,562	5,429	62,303	60,811	39,555	100,366	162,669	15,781	20,072	35,853	198,522
$1,000,000–$1,999,999	25,310	30,144	8,862	64,316	68,078	40,266	108,344	172,660	10,242	32,532	42,774	215,434
$2,000,000–$4,999,999	38,630	49,007	10,810	98,447	102,442	50,739	153,181	251,628	15,415	30,075	45,490	297,118
$5,000,000 and over	24,690	35,980	7,923	68,593	139,663	38,579	178,242	246,835	45,008	10,649	55,657	302,492
Total	155,319	201,316	43,110	399,745	499,349	258,470	757,819	1,157,564	105,916	128,802	234,718	1,392,282

TABLE XII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION BY ECONOMIC CLASSIFICATION OF EXPENDITURES AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949

Industry	New Investment								Transfer of Property			Total New Investment and Transfer of Property
	Construction				Machinery and equipment			Total new investment	Purchase of buildings and other structures	Purchase of used machinery and equipment	Total transfer of property	
	Labour	Materials	Other	Sub-total	Canadian manufacture	Foreign manufacture	Sub-total					
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Manufacturing Industries—												
Vegetable and Animal Products—Food:												
(1) Vegetable Food Products..	24,718	32,821	10,411	67,950	45,020	29,511	74,531	142,481	3,070	4,927	7,997	150,478
(2) Animal Food Products....	4,835	6,733	1,425	12,993	10,128	4,290	14,418	27,411	523	2,345	2,868	30,279
(3) Tobacco..................	3,158	3,508	454	7,120	2,931	3,748	6,679	13,799	323	102	425	14,224
Sub-total..................	32,711	43,062	12,290	88,063	58,079	37,549	95,628	183,691	3,916	7,374	11,290	194,981
Vegetable and Animal Products—Non-Food:												
(1) Rubber....................	2,396	2,539	788	5,723	12,068	3,909	15,977	21,700	393	854	1,247	22,947
(2) Leather...................	1,179	1,634	288	3,101	1,439	986	2,425	5,526	167	606	773	6,299
(3) Furs......................	180	317	35	532	178	16	194	726	10	76	86	812
Sub-total..................	3,755	4,490	1,111	9,356	13,685	4,911	18,596	27,952	570	1,536	2,106	30,058
Textiles and Textile Products:												
(1) Primary Textiles..........	7,464	10,020	2,545	20,029	20,854	42,161	63,015	83,044	1,079	4,366	5,445	88,489
(2) Clothing and Other Textiles....................	2,962	3,640	784	7,386	6,588	17,554	24,142	31,528	634	1,833	2,467	33,995
Sub-total..................	10,426	13,660	3,329	27,415	27,442	59,715	87,157	114,572	1,713	6,199	7,912	122,484
Wood and Paper Products:												
(1) Lumber and Lumber Products....................	9,371	11,239	1,977	22,587	26,680	8,856	35,536	58,123	1,254	5,520	6,774	64,897
(2) Pulp and Paper...........	24,074	34,535	6,758	65,367	169,205	25,220	194,425	259,792	10,165	3,315	13,480	273,272
(3) Printing and Publishing....	3,322	5,523	1,172	10,017	4,574	14,655	19,229	29,246	582	1,197	1,779	31,025
Sub-total..................	36,767	51,297	9,907	97,971	200,459	48,731	249,190	347,161	12,001	10,032	22,033	369,194

TABLE XII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION BY ECONOMIC CLASSIFICATION OF EXPENDITURES AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	New Investment								Transfer of Property			Total New Investment and Transfer of Property
	Construction				Machinery and equipment			Total new investment	Purchase of buildings and other structures	Purchase of used machinery and equipment	Total transfer of property	
	Labour	Materials	Other	Sub-total	Canadian manufacture	Foreign manufacture	Sub-total					
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Iron and its Products:												
(1) Primary Iron and Steel....	1,132	1,825	381	3,338	7,362	3,505	10,867	14,205	1,217	1,722	2,939	17,144
(2) Iron and Steel Fabricated Products (excluding Vehicles)....................	12,711	14,762	3,147	30,620	35,890	25,191	61,081	91,701	4,303	11,380	15,683	107,384
(3) Vehicles and Parts (1)......	4,325	5,943	1,634	11,902	9,501	7,449	16,950	28,852	1,990	14,768	16,758	45,610
Sub-total..................	18,168	22,530	5,162	45,860	52,753	36,145	88,898	134,758	7,510	27,870	35,380	170,138
Non-Ferrous Metal Products and Electrical Apparatus:												
(1) Non-Ferrous Metal Products....................	4,956	5,766	1,211	11,933	10,011	6,469	16,480	28,413	1,240	3,924	5,164	33,577
(2) Electrical Apparatus.......	5,565	5,937	1,194	12,696	13,194	10,078	23,272	35,968	4,780	12,762	17,542	53,510
Sub-total..................	10,521	11,703	2,405	24,629	23,205	16,547	39,752	64,381	6,020	16,686	22,706	87,087
Non-Metallic Mineral Products:												
(1) Fuel and Fuel Products....	3,837	4,877	453	9,167	34,539	8,051	42,590	51,757	78	641	719	52,476
(2) Cement, Lime, Salt, Clay and Stone Products..........	7,162	9,329	1,861	18,352	24,334	6,562	30,896	49,248	6,882	1,434	8,316	57,564
(3) Glass and Glass Products..	1,733	2,292	198	4,223	3,826	2,948	6,774	10,997	396	191	587	11,584
Sub-total..................	12,732	16,498	2,512	31,742	62,699	17,561	80,260	112,002	7,356	2,266	9,622	121,624
Chemicals and Allied Products:												
(1) Industrial, Domestic and Agricultural Chemicals......	11,601	13,486	1,942	27,029	18,216	6,770	24,986	52,015	7,926	717	8,643	60,658
(2) Drugs, Cosmetics, Soaps...	3,686	5,168	475	9,329	6,537	3,235	9,772	19,101	504	405	909	20,010
(3) Miscellaneous Chemical Products....................	4,277	6,796	784	11,857	14,609	8,815	23,424	35,281	332	729	1,061	36,342
Sub-total..................	19,564	25,450	3,201	48,215	39,362	18,820	58,182	106,397	8,762	1,851	10,613	117,010

TABLE XII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION BY ECONOMIC CLASSIFICATION OF EXPENDITURES AND BY INDUSTRY, FOR PERIOD OF OPERATION, NOVEMBER 10, 1944—MARCH 31, 1949—*Continued*

Industry	New Investment								Transfer of Property			Total New Investment and Transfer of Property
	Construction				Machinery and equipment			Total new investment	Purchase of buildings and other structures	Purchase of used machinery and equipment	Total transfer of property	
	Labour	Materials	Other	Sub-total	Canadian manufacture	Foreign manufacture	Sub-total					
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Miscellaneous Manufacturing Products	2,524	3,413	489	6,426	3,147	2,830	5,977	12,403	411	961	1,372	13,775
Total Manufacturing Industries (1)	147,168	192,103	40,406	379,677	480,831	242,809	723,640	1,103,317	48,259	74,775	123,034	1,226,351
Primary Industries—												
Mining:												
(1) Metallic Mining (2)	1,755	2,021	249	4,025	3,548	1,645	5,193	9,218	—	127	127	9,345
(2) Non-Metallic Mining (3)	254	405	80	739	1,971	497	2,468	3,207	8	357	365	3,572
Sub-total	2,009	2,426	329	4,764	5,519	2,142	7,661	12,425	8	484	492	12,917
Woods Operations	2,910	2,897	703	6,510	7,326	6,926	14,252	20,762	6,473	6,902	13,375	34,137
Total Primary Industries	4,919	5,323	1,032	11,274	12,845	9,068	21,913	33,187	6,481	7,386	13,867	47,054
Special Industries—												
Shipbuilding	573	557	324	1,454	474	410	884	2,338	1,283	1,022	2,305	4,643
Commercial Shipping	2,395	2,972	1,313	6,680	2,277	361	2,638	9,318	48,221	43,437	91,658	100,976
Construction	264	361	35	660	2,922	5,822	8,744	9,404	1,672	2,182	3,854	13,258
Total Special Industries	3,232	3,890	1,672	8,794	5,673	6,593	12,266	21,060	51,176	46,641	97,817	118,877
GRAND TOTAL	155,319	201,316	43,110	399,745	499,349	258,470	757,819	1,157,564	105,916	128,802	234,718	1,392,282

(1) Excluding Shipbuilding.
(2) Excluding Non-Ferrous Metal Smelting and Refining listed under Manufacturing.
(3) Excluding Non-Metallic Mineral Products listed under Manufacturing.

TABLE XIII.—NET APPROVALS OF APPLICATIONS FOR SPECIAL DEPRECIATION AND TOTAL INVESTMENT IN DURABLE PHYSICAL ASSETS (EXCLUDING DIRECT GOVERNMENT), 1945–1947

Type of Investment	1945	1946	1947
	$000,000's	$000,000's	$000,000's
Manufacturing	171	300	443
Mining	15	14	47
Woods Operations	16	21	17
Shipbuilding and Commercial Shipping	7	25	18
Construction Industry	10	20	28
Industries Eligible for Special Depreciation (3)	219	380	553
Other Industries (Mainly Utilities, Commercial, Service and Financial Groups and Agriculture)	297	443	739
All Business Enterprises (except Housing)	516	823	1,292
Institutional and Residential Building	226	312	447
Total Investment in Durable Physical Assets (excluding Direct Government)	742 (1)	1,135 (1)	1,739 (2)
New Investment for which Special Depreciation Approved (4)	174 (5)	291	692

(1) Preliminary estimate.

(2) This figure relates to anticipated expenditures by business enterprises. In 1946 a sample survey showed that only about 75% of investment intentions were realized because of supply difficulties. Supply problems continued in 1947 and some cancellations of investment plans took place. As a result business enterprises, as in the previous year, may find it "difficult to realize fully their investment intentions as indicated by their early year plans". (*Forecast of 1947 Investment by Canadian Business*, Department of Reconstruction and Supply, Ottawa, March, 1947, p. 7. All data covering actual or anticipated investment expenditures for the years 1945 to 1947 are from the same report.).

(3) While the major portion of investment by these industries was eligible for special depreciation, some items were not eligible, e.g., office equipment and furnishings, automobiles, trucks and buses.

(4) Includes expenditures for new construction and machinery and equipment, but excludes purchases of existing buildings or structures and of used machinery and equipment.

(5) Includes November and December, 1944.

TABLE XIV.—EXPORTS AND IMPORTS, BY DEGREE OF MANUFACTURE, CANADA, 1920-1947 (1)

Year	Exports							Imports						
	Raw materials		Partially manufactured		Fully manufactured		Total value(2)	Raw materials		Partially manufactured		Fully manufactured		Total value
	Value	Per cent	Value	Per cent	Value	Per cent		Value	Per cent	Value	Per cent	Value	Per cent	
	$000,000's		$000,000's		$000,000's		$000,000's	$000,000's		$000,000s		$000,000's		$000,000's
1920	524·1	44·1	193·6	16·3	471·4	39·6	1,189·1	310·3	25·0	151·4	12·2	778·5	62·8	1,240·2
1921	329·4	44·5	107·2	14·5	303·6	41·0	740·2	216·4	28·9	71·8	9·6	459·5	61·5	747·7
1922	416·3	44·7	151·0	16·2	364·2	39·1	931·5	228·0	28·4	77·8	9·7	496·7	61·9	802·5
1923	453·5	43·4	176·0	16·8	415·9	39·8	1,045·4	254·0	28·4	100·3	11·2	539·1	60·4	893·4
1924	477·5	44·7	161·4	15·1	430·2	40·2	1,069·1	220·9	27·7	85·7	10·8	490·3	61·5	796·9
1925	594·1	46·1	189·2	14·7	506·2	39·2	1,289·5	255·9	27·6	93·1	10·0	578·3	62·4	927·3
1926	571·6	45·9	183·3	14·7	490·4	39·4	1,245·3	263·9	25·6	104·7	10·2	662·3	64·2	1,030·9
1927	571·1	46·9	189·4	15·5	458·8	37·6	1,219·3	283·8	25·6	106·3	9·6	718·8	64·8	1,108·9
1928	649·0	48·0	195·1	14·5	507·2	37·5	1,351·3	290·5	22·9	101·2	8·0	874·0	69·1	1,265·7
1929	395·0	36·4	213·3	19·6	477·6	44·0	1,085·9	288·3	23·1	96·0	7·7	864·0	69·2	1,248·3
1930	295·5	37·8	134·3	17·2	352·1	45·0	781·9	216·5	23·9	68·7	7·6	621·4	68·5	906·6
1931	212·5	37·8	86·7	15·4	263·5	46·8	562·7	145·6	25·2	48·4	8·4	384·5	66·4	578·5
1932	200·6	42·7	66·7	14·2	202·7	43·1	470·0	118·7	29·2	32·5	8·0	255·2	62·8	406·4
1933	208·8	36·2	124·1	21·5	243·7	42·3	576·6	130·5	30·1	38·5	8·9	264·7	61·0	433·7
1934	234·1	35·7	136·6	20·8	285·5	43·5	656·2	158·6	30·4	48·0	9·2	315·8	60·4	522·4
1935	259·0	34·1	177·5	23·3	324·2	42·6	760·7	165·6	29·4	60·6	10·8	336·5	59·8	562·7
1936	374·0	38·2	219·8	22·5	384·2	39·3	978·0	195·1	29·0	65·7	9·8	411·0	61·2	671·8
1937	277·3	28·4	269·0	27·5	430·3	44·1	976·6	222·5	27·8	73·4	9·2	503·2	63·0	799·1
1938	231·2	27·8	221·4	26·6	378·7	45·6	831·3	177·6	27·0	57·1	8·7	423·5	64·3	658·2
1939	273·8	29·6	247·0	26·7	404·1	43·7	924·9	200·8	26·7	66·0	8·8	484·2	64·5	751·0
1940	261·0	22·1	337·0	28·6	581·0	49·3	1,179·0	263·2	24·3	95·0	8·8	723·7	66·9	1,081·9
1941	321·7	19·9	426·8	26·3	872·5	53·8	1,621·0	308·3	21·3	105·1	7·2	1,035·4	71·5	1,448·8
1942	299·5	12·7	487·6	20·6	1,576·7	66·7	2,363·8	341·8	20·8	83·8	5·1	1,218·7	74·1	1,644·3
1943	518·9	17·5	497·7	16·7	1,954·9	65·8	2,971·5	401·6	23·1	86·1	5·0	1,247·4	71·9	1,735·1
1944	763·5	22·2	488·0	14·2	2,188·5	63·6	3,440·0	418·4	23·8	81·9	4·7	1,258·6	71·5	1,758·9
1945	858·3	26·7	535·9	16·6	1,824·1	56·7	3,218·3	428·8	27·0	93·7	5·9	1,063·3	67·1	1,585·8
1946	603·5	26·1	511·8	22·1	1,197·0	51·8	2,312·3	517·6	26·9	121·9	6·3	1,287·8	66·8	1,927·3
1947 (3)	—	22·0	—	27·8	—	50·2	—	—	23·4	—	6·2	—	70·4	—

(1) Data for 1920 to 1938 relate to fiscal years ending March 31 of the following year. Data for 1939 to 1947 are for calendar years. Data from *Trade of Canada, 1946*, Dominion Bureau of Statistics, Ottawa, 1947, Vol. I, pp. 86–87, and monthly returns, 1947.

(2) Excludes exports of foreign produce.

(3) Preliminary estimate based on exports and imports for the first ten months of 1947.

TABLE XV.—CANADIAN COMMODITY TRADE WITH THE UNITED STATES, UNITED KINGDOM AND ALL OTHER COUNTRIES 1939–1947.(1)

(In Millions of Dollars)

Year	United States			United Kingdom			Countries other than United States and United Kingdom			All Countries		
	Exports from Canada (2)	Imports to Canada	Exports minus Imports	Exports from Canada (2)	Imports to Canada	Exports minus Imports	Exports from Canada (2)	Imports to Canada	Exports minus Imports	Exports from Canada (2)	Imports to Canada	Exports minus Imports
1939	390	497	−107	329	114	+ 215	217	140	+ 77	936	751	+ 185
1940	452	744	−292	512	161	+ 351	229	177	+ 52	1,193	1,082	+ 111
1941	610	1,004	−394	661	219	+ 442	369	226	+143	1,640	1,449	+ 191
1942	897	1,305	−408	748	161	+ 587	740	178	+562	2,385	1,644	+ 741
1943	1,167	1,424	−257	1,037	135	+ 902	797	176	+621	3,001	1,735	+1,266
1944	1,335	1,447	−112	1,238	111	+1,127	910	201	+709	3,483	1,759	+1,724
1945	1,227	1,202	+ 25	971	141	+ 830	1,069	243	+826	3,267	1,586	+1,681
1946	909	1,405	−496	599	201	+ 398	831	321	+510	2,339	1,927	+ 412
1947—January	81	137	− 56	51	14	+ 37	78	23	+ 55	210	174	+ 36
February	71	138	− 67	45	11	+ 34	66	28	+ 38	182	177	+ 5
March	85	165	− 80	48	14	+ 34	79	30	+ 49	212	209	+ 3
April	90	182	− 92	43	13	+ 30	60	31	+ 29	193	226	− 33
May	82	185	−103	91	15	+ 76	98	40	+ 58	271	240	+ 31
June	84	175	− 91	76	18	+ 58	116	38	+ 78	276	231	+ 45
July	84	169	− 85	70	18	+ 52	86	40	+ 46	240	227	+ 13
August	84	155	− 71	66	15	+ 51	75	35	+ 40	225	205	+ 20
September	89	163	− 74	55	16	+ 39	78	29	+ 49	222	208	+ 14
October	104	190	− 86	67	18	+ 49	83	46	+ 37	254	254	—
November	95	174	− 79	62	18	+ 44	99	37	+ 62	256	229	+ 27

(1) Data from *Trade of Canada, 1946*, Dominion Bureau of Statistics, Ottawa, 1947, Vol. I, pp. 16–21, and monthly returns, 1947.
(2) Includes exports of foreign produce.

TABLE XVI.—OFFICIAL HOLDINGS OF GOLD AND U.S. DOLLARS, CANADA, 1939-1947[1]
(In Millions of U.S. Dollars)

End of Month	Foreign Exchange Control Board[2]	Dominion Government	Private[3]	Total[4]
1939—September[5]	238·7	22·4	132	393·1
1939—December	272·8	33·4	98	404·2
1940—December	309·3	20·8	2	332·1
1941—December	164·1	23·5	—	187·6
1942—December	242·9	75·6	—	318·5
1943—December	573·2	76·4	—	649·6
1944—December	800·1	102·1	—	902·2
1945—December	1,275·9	232·1	—	1,508·0
1946—January	1,307·5	110·7	—	1,418·2
February	1,353·4	124·8	—	1,478·2
March	1,498·5	140·2	—	1,638·7
April	1,522·5	122·2	—	1,644·7
May	1,505·5	161·3	—	1,666·8
June	1,488·7	135·5	—	1,624·2
July	1,507·7	95·4	—	1,603·1
August	1,501·7	61·4	—	1,563·1
September	1,486·6	30·8	—	1,517·4
October	1,431·9	22·3	—	1,454·2
November	1,324·9	25·2	—	1,350·1
December	1,222·3	22·6	—	1,244·9
1947—January	1,121·4	21·7	—	1,143·1
February	935·5	22·2	—	957·7
March	788·3	23·0	—	811·3
April	674·5	25·8	—	700·3
May	678·6	31·8	—	710·4
June	652·6	13·3	—	665·9
July	637·6	13·6	—	651·3
August	655·0	13·1	—	668·0
September	602·4	13·1	—	615·4
October	517·6	9·0	—	526·5
November	467·1	13·1	—	480·2

(1) Annual Report of the Foreign Exchange Control Board to the Minister of Finance for the year 1946, and Sessional Paper No. 146 dated December 8, 1947.
(2) Including the Bank of Canada.
(3) Exclusive of working balances.
(4) Due to rounding, totals will not always be exactly the sum of the components.
(5) As of September 15, 1939.

APPENDIX B

STATUTORY AND REGULATORY PROVISIONS AND FORMS

CONTENTS

I. Authority for Special Depreciation for Industrial Investment, Income War Tax Act, R.S.C. 1927, c. 97, section 6 as amended to 10 Geo. VI (1946), chap. 55, section 5 (i).

II. Special Depreciation for Industrial Investment under the Income War Tax Act, Period of Approval and Completion, Order in Council P.C. 8640, November 10, 1944.

III. Special Depreciation for Industrial Investment under the Income War Tax Act, First Extension of Period of Approval and Completion, Order in Council P.C. 1449, April 16, 1946.

IV. Special Depreciation for Industrial Investment under the Income War Tax Act, Second Extension of Period of Completion, Order in Council P.C. 2804, July 18, 1947.

V. Special Depreciation for Industrial Investment under the Income War Tax Act and Order in Council P.C. 8640, November 10, 1944, Regulations of the Department of National Revenue, January, 1945.

VI. Special Depreciation for Rental Housing Projects under the Income War Tax Act, Order in Council P.C. 1095, March 25, 1947.

VII. Special Depreciation for Ships under the Income War Tax Act, Order in Council P.C. 2487, June 24, 1947.

VIII. Application Form for Special Depreciation for Industrial Investment, Department of Reconstruction and Supply (R. & S. 2183).

IX. Application Form for Capital Expenditure Depreciation Claim, Department of National Revenue (revised April, 1947).

I. AUTHORITY FOR SPECIAL DEPRECIATION FOR INDUSTRIAL INVESTMENT, INCOME WAR TAX ACT (R.S.C. 1927, c. 97), SECTION 6 AS AMENDED TO 10 GEO. VI, 1946, CHAP. 55, SECTION 5 (i)

"(ii) depreciation at not more than double the rates normally allowed in respect of plant or equipment of such class or classes as may be determined by the Governor in Council, built or acquired in a period to be fixed by the Governor in Council for the purposes of this paragraph, if the taxpayer is, in the opinion of the Minister, making a new investment by building or acquiring the plant or equipment."

II. SPECIAL DEPRECIATION FOR INDUSTRIAL INVESTMENT UNDER THE INCOME WAR TAX ACT, PERIOD OF APPROVAL AND COMPLETION.

ORDER IN COUNCIL P.C. 8640

AT THE GOVERNMENT HOUSE AT OTTAWA

Friday, the 10th day of November, 1944.

PRESENT:

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL

Whereas under the Income War Tax Act, the Minister of National Revenue in his discretion may allow depreciation at not more than double the rates normally allowed in respect of plant or equipment built or acquired in a period to be fixed by the Governor in Council if the taxpayer is, in the opinion of the Minister, making a new investment by building or acquiring the plant or equipment;

And whereas it is deemed expedient and advisable to fix the period for the purposes of subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act to commence on November tenth, 1944, in order to enable such industries as can, because their activities are essential, secure necessary materials and labour at the present time to proceed immediately with such expansion as has both a war and post-war purpose and thus to qualify for depreciation allowances under the aforesaid subparagraph (ii) without awaiting the cessation of hostilities in Europe;

And whereas it is also deemed expedient and advisable for industries other than those mentioned in the next preceding paragraph that are planning post-war expansion, conversion or modernization to prepare their plans without delay so as to be ready to commence work on their plant and equipment as soon as materials and labour are available, and it is desirable that they should be enabled to commence such work as soon as is compatible with the efficient prosecution of the war and the effecting of an orderly transition from a wartime to a peacetime economy;

And whereas by reason of the war, it is therefore deemed necessary for the security, defence, peace, order and welfare of Canada that the order hereinafter set forth be made;

Therefore, His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, the Minister of Munitions and Supply and the Minister of Reconstruction and the Minister of National Revenue and under and by virtue of subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act and the War Measures Act, is pleased to make and doth hereby make the following order:

ORDER

1. (1) The period commencing on November tenth, nineteen hundred and forty-four and ending on the last day of the year nineteen hundred and forty-six or on the day two years from the day on which organized hostilities between Canada and Germany cease wholly or substantially, whichever is the earlier, is hereby fixed as the period mentioned in subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act.

(2) Organized hostilities between Canada and Germany shall be deemed for the purposes of this order to have ceased wholly or substantially on such day as the Governor in Council may fix for the purposes of this order as the end of the said hostilities.

2. (1) In computing the amount of the profits or gains to be assessed under the Income War Tax Act or The Excess Profits Tax Act, 1940, depreciation may be deducted at the option of the taxpayer in an amount computed at not more than double and not less than one-half the rates normally allowed if the amount is allowed by the Minister pursuant to subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act.

(2) No depreciation shall be allowed under the said subparagraph (ii), notwithstanding anything contained therein, after the aggregate of the allowances made thereunder equals eighty per centum of the cost of the plant or equipment.

(3) No depreciation shall be allowed pursuant to the said subparagraph (ii) in respect of any plant or equipment unless the Minister of Reconstruction has certified that, having regard to war or reconstruction needs, it is desirable in his opinion that depreciation be allowed in respect thereof under the said subparagraph.

3. In this order and in subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act "plant and equipment" means such property as the Minister of National Revenue may, by regulation, prescribe but, notwithstanding any such regulation, does not include

(*a*) plant or equipment outside Canada,
(*b*) patents, goodwill, intangible rights or incorporeal hereditaments,
(*c*) leasehold interests in land, buildings, machinery or equipment,
(*d*) office equipment or furnishings,
(*e*) buildings used as dwellings including apartment houses and equipment, furniture and furnishings therein or used in connection therewith,
(*f*) buildings used for commercial or financial purposes including stores, hotels, tourist accommodation and office buildings,
(*g*) automobiles, trucks and buses,
(*h*) rolling stock of a railway,
(*i*) a building that has been used by a person other than the taxpayer or a building that was built and in existence prior to November tenth, nineteen hundred and forty-four unless
  (A) the Minister of National Revenue is satisfied that the building has, since acquisition by the taxpayer, been used by him for a business substantially different from that carried on therein prior to acquisition by him, or
  (B) the building was purchased by the taxpayer from War Assets Corporation,
(*j*) property built or acquired by a company entitled to exemption in the taxation year under section eighty-nine of the Income War Tax Act or paragraph (*g*) of section seven of The Excess Profits Tax Act, 1940,
(*k*) property in respect of which special depreciation has been allowed under subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act or in respect of which provision has been made for special depreciation or allowances in lieu of depreciation under special authority.

4. Where plant or equipment is partly built in the period fixed by section one of this order, such part thereof as is built during the period shall be deemed to be plant or equipment built during the period for the purposes of subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act.

5. Notwithstanding this order or any provision in the Income War Tax Act, the decision of the Minister of National Revenue as to whether depreciation is allowable under subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act and as to the amount thereof if any is final and conclusive.

A. D. P. HEENEY,
Clerk of the Privy Council.

III. SPECIAL DEPRECIATION FOR INDUSTRIAL INVESTMENT UNDER THE INCOME WAR TAX ACT, FIRST EXTENSION OF PERIOD OF APPROVAL AND COMPLETION.

ORDER IN COUNCIL P.C. 1449

AT THE GOVERNMENT HOUSE AT OTTAWA

Tuesday, the 16th day of April, 1946.

PRESENT:

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL

Whereas under the Income War Tax Act, the Minister of National Revenue in his discretion may allow depreciation at not more than double the rates normally allowed in respect of plant or equipment built or acquired in a period to be fixed by the Governor in Council if the taxpayer is, in the opinion of the Minister, making a new investment by building or acquiring the plant or equipment;

And whereas the said period was fixed by Order in Council P.C. 8640 of November 10, 1944, as being that commencing on November tenth, Nineteen Hundred and Forty-Four, and ending on the last day of the year, Nineteen Hundred and Forty-Six or on the day two years from the day on which organized hostilities between Canada and Germany ceased wholly or substantially, whichever is the earlier;

And whereas having regard to the existing policy of giving priority to housing and in view of the short supply of various types of equipment and building materials, it is desirable that the period during which such plant or equipment is to be built or acquired, should be extended to the Thirty-first day of March, Nineteen Hundred and Forty-Eight;

And whereas it is desirable that industries planning postwar expansion, conversion or modernization, although such projects will not be proceeded with immediately, should prepare their plans with despatch, and to accomplish such purpose it is advisable to provide that applications for certification by the Minister of Reconstruction and Supply as provided for by Section 3 of the said Order in Council must be filed with the Department of Reconstruction and Supply on or before the Thirty-first day of March, Nineteen Hundred and Forty-Seven;

Therefore His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, the Minister of Reconstruction and Supply and the Minister of National Revenue, and under and by virtue of subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act and The National Emergency Transitional Powers Act, 1945, is pleased to amend the said Order in Council P.C. 8640 and it is hereby further amended as follows:

1. Section 1 is revoked and the following substituted therefor:

1. The period commencing on November Tenth, Nineteen Hundred and Forty-Four and ending on March Thirty-First, Nineteen Hundred and Forty-Eight, is hereby fixed as the period mentioned in subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act.

2. Section 2 is amended by adding thereto the following subsection:

(4) The application for the certification by the Minister of Reconstruction and Supply as provided for by subsection (3) of this section 2 must be filed with the Department of Reconstruction and Supply on or before the thirty-first day of March, Nineteen Hundred and Forty-Seven.

A. D. P. HEENEY,
Clerk of the Privy Council.

IV. SPECIAL DEPRECIATION FOR INDUSTRIAL INVESTMENT UNDER THE INCOME WAR TAX ACT, SECOND EXTENSION OF PERIOD OF COMPLETION.

ORDER IN COUNCIL P.C. 2804

AT THE GOVERNMENT HOUSE AT OTTAWA

Friday, the 18th day of July, 1947.

PRESENT:

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL

Whereas by Order in Council P.C. 8640 of November 10, 1944, as amended by Order in Council P.C. 1449 of April 16, 1946, the period to be fixed by the Governor in Council for the purposes of subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act was fixed as being that commencing November Tenth, Nineteen Hundred and Forty-Four, and ending March Thirty-First, Nineteen Hundred and Forty-Eight;

And whereas having regard to the existing policy of giving priority to housing and in view of the continued short supply of various types of equipment and building materials it is desirable that the period during which the plant or equipment referred to in the said provision of the Income War Tax Act is to be built or acquired should be extended;

Therefore, His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, the Minister of Reconstruction and Supply and the Minister of National Revenue, is pleased to amend the said Order in Council P.C. 8640, and it is hereby further amended by revoking Section 1 and substituting the following therefor:

1. The period commencing on November Tenth, Nineteen Hundred and Forty-Four and ending on March Thirty-First, Nineteen Hundred and Forty-Nine, is hereby fixed as the period mentioned in subparagraph (ii) of paragraph (*n*) of subsection one of section six of the Income War Tax Act.

A. D. P. HEENEY,
Clerk of the Privy Council.

V. SPECIAL DEPRECIATION FOR INDUSTRIAL INVESTMENT UNDER THE INCOME WAR TAX ACT AND ORDER IN COUNCIL P.C. 8640, NOVEMBER 10, 1944, REGULATIONS OF THE DEPARTMENT OF NATIONAL REVENUE, JANUARY, 1945

Regulations
January, 1945

DOMINION OF CANADA

DEPARTMENT OF NATIONAL REVENUE—TAXATION DIVISION
REGULATIONS

Made Pursuant to the Provisions of the Income War Tax Act and Order in Council P.C. 8640 of 10th November, 1944

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1. There shall be filed by each applicant an original and four copies of, Department of Reconstruction Form D.O.R. 17 as notice of intention to incur capital costs in the building or acquisition of plant or equipment within the period laid down by Order in Council P.C. 8640 of 10th November, 1944.

2. The said forms shall be filed with the Minister of Reconstruction at Ottawa, Canada.

3. Allowance, other than normal depreciation, shall not be granted, notwithstanding the Certificate that may be issued by the Minister of Reconstruction, unless, following the completion of the project, Form C.E.D. (*Capital Expenditure Depreciation*) is filed in duplicate with the Inspector of Income Tax for the District in which the taxpayer customarily files Income Tax returns.

4. Form C.E.D. shall be filed in duplicate within six months of the completion of the project, or before the due date for the filing of Income Tax Returns in respect of the year in which the project was completed, whichever is last in time. If not so filed, normal depreciation only will be allowed.

5. Forms D.O.R. 17 and C.E.D. and the instructions and requirements therein provided and prescribed are hereby made part of these regulations.

6. As the work progresses and it is found that the actual costs will apparently exceed the costs as estimated in Form D.O.R. 17 by more than

10% of the estimated cost if such cost was $100,000 or less,

or

15% of the estimated cost if such cost was more than $100,000 but less than $500,000,

or

20% of the estimated cost if over $500,000,

a new Form D.O.R. 17 must be lodged with the Minister of Reconstruction and a further Certificate secured; otherwise, normal depreciation only will be allowed in respect of the excess cost above the percentage stated.

7. The date upon which Form C.E.D. is filed shall be taken conclusively to be the date of the postmark if the return is mailed, or the date of the receipt stamp of the office of the Taxation Division to which the return is delivered.

8. Only plant or equipment

(*a*) built, or

(*b*) acquired and installed in place

as an integral part of the project *in* the period fixed by the said Order in Council shall be eligible for consideration.

9. Plant or equipment (*a*) built, or (*b*) acquired, *prior to* the 10th November, 1944, will not rank for consideration under the said Order in Council or under the said Section 6 (1) (*n*) (ii).

10. The cost incurred during the said period of *installing* in place material and equipment acquired *prior* to the said period will be allowed as a cost of the depreciable assets for purposes of the said Section 6 (1) (*n*) (ii) but not the cost of the material and equipment acquired prior to the period.

11. The filing of one application in respect of one project does not preclude any person from filing further applications in respect of other projects.

12. Depreciation will commence for Income Tax purposes as and from the date the plant and equipment are put into actual operation in the earning of the income. Depreciation will not be allowed during the course of construction or during the period before actual operation.

13. Depreciation pursuant to the said Section 6 (1) (*n*) (ii) shall be allowed in respect of plant or equipment built or acquired only so far as expenditures in respect thereof have been incurred between the date named in the Certificate of the Minister of Reconstruction and the end of the period described in Paragraph 1 of the said Order in Council.

14. All costs in respect of plant or equipment for which application is made for depreciation under Section 6 (1) (*n*) (ii) must be recorded in appropriate books as capital costs in such manner and under such classification as may be readily identifiable from year to year and the amount of depreciation allowed in respect of each class of assets must likewise be readily identifiable; otherwise, normal depreciation only will be allowed.

15. All costs must be provable by the taxpayer producing as and when required, vouchers, receipts, or other evidence of the validity of all such costs claimed.

16. In respect of projects commenced before but continuing during the period, or commenced during the period and continuing after the period, progress reports of a qualified architect or engineer must be produced to assist in determining the costs incurred during the prescribed period.

17. Where assets are acquired by payment in kind from companies or partnerships in which the purchaser has an interest equivalent to one-quarter or more, the value for depreciation purposes will be the depreciated cost to the vendor as determined for Income Tax purposes.

If the purchaser has no interest in the vendor company or partnership and the payment is in kind, for example preferred or common stock, the value for depreciation purposes will be the depreciated cost to the vendor as determined for Income Tax purposes, unless it can be shown that the preferred or common stock or other like instruments, given in payment of the depreciated asset acquired, has an established and readily available market value which clearly indicates that an amount greater than such depreciated value of the asset should be accepted for depreciation purposes.

Assets acquired by the issuance of bonds in the absence of unusual circumstances, generally will be accepted as establishing the cost of the depreciable assets acquired from strangers.

Where bonds are issued in payment for assets to companies or partnerships in which the purchaser has an interest equivalent to one-quarter or more, the value of the assets acquired, if in excess of the depreciated cost value as determined for Income Tax purposes, may come under adjustment and any downward adjustment of the bonded liability for assets so acquired within a reasonable period after the purchase would also occasion a downward adjustment of the cost of the assets acquired, or an adjustment of the depreciation allowed.

C. FRASER ELLIOTT,
Deputy Minister of National Revenue for Taxation.

COLIN GIBSON,
Minister of National Revenue.

VI. SPECIAL DEPRECIATION FOR RENTAL HOUSING PROJECTS UNDER THE INCOME WAR TAX ACT

ORDER IN COUNCIL P.C. 1095

At The Government House at Ottawa

Tuesday, the 25th day of March, 1947.

Present:

His Excellency The Governor General in Council

His Excellency the Governor General in Council, on the recommendation of the Acting Minister of Finance, the Minister of Reconstruction and Supply, and the Minister of National Revenue, and pursuant to the provisions of subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act, is pleased to make and doth hereby make the following Order:

Order

1. In this Order, unless the context otherwise requires,—

(*a*) "Act" means Income War Tax Act;

(*b*) "Minister" means the Minister of National Revenue;

(*c*) "Corporation" means Central Mortgage and Housing Corporation;

(*d*) "Rental housing project" means a project having four or more family housing units built for rental purposes consisting of one-family dwellings, or multiple-family dwellings, or a combination of one-family and multiple-family dwellings, together with any public space, recreational facilities and commercial space and buildings appropriate to the project;

(*e*) "Equipment" means all permanent fixtures, fittings, machinery, furnaces, boilers, refrigeration equipment, gas and electric stoves, water heaters, ice boxes, electric light fixtures, window blinds and fixtures, storm and screen doors and windows, plumbing and heating equipment, oil tanks and oil burning equipment, piping, elevators and elevator equipment, and generally all apparatus and things incorporated in or forming part of the buildings and structures comprising the rental housing project;

(*f*) "Standard room" means a living room, a bedroom, a dining room or a kitchen. A room used for two or more purposes will be considered one standard room;

(*g*) "Rates of depreciation normally allowed" means the rates of depreciation allowed by the Minister under the provisions of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act other than special or double depreciation on property of a similar class, as for example:

	Maximum rates per annum Per cent
Buildings (including all component parts, such as electric wiring, plumbing, sprinkler system, etc., contained in such buildings except elevators and boilers)	
Reinforced concrete and transite	2
Brick, brick veneer and stone	$2\frac{1}{2}$
Stucco on brick or cement	$2\frac{1}{2}$
Stucco on frame	5
Frame	5
Galvanized iron	5

	Maximum rates per annum Per cent
Equipment	
Furnace—same rate as building	
Boilers	5
Refrigeration equipment	10
Gas and electric stoves	10
Water heaters	10
Ice boxes	10
Electric light fixtures—same rate as building	
Window blinds and fixtures	10
Storm and screen doors and windows—same rate as building	
Plumbing and heating equipment—same rate as building	
Oil tanks and oil burning equipment	10
Piping—same rate as building	
Elevators and elevator equipment	5

2. This Order shall apply to rental housing projects and equipment installed therein where the following conditions are fulfilled:

(*a*) Construction of the rental housing project is commenced prior to January 1, 1949;

(*b*) The family housing units of the project,

(i) have an average of not less than 3·75 standard rooms and bathroom;

(ii) have an average of 1·75 bedrooms;

(iii) have an approximate average area of seven hundred and fifty square feet. (For calculating the area per unit in a multiple project, the number of units is to be divided into the total floor area (excluding basement used for other than living quarters) measured from the outside face of exterior walls.)

(*c*) The rental to be charged for the housing units is not to exceed $70 per month, based on a standard four-room unit, with bathroom, having two rooms suitable as bedrooms; the rental for units varying from this base shall be adjusted accordingly.

(*d*) The owner gives a preference to veterans in the occupancy of completed units;

(*e*) Where the project is financed in whole or in part by a loan secured by a mortgage and the owner, in addition to the instalments provided for in the mortgage, makes a prepayment to the mortgagee amounting to one-third of the extra depreciation allowed pursuant to these Regulations; in the event that the mortgagee refuses to accept such prepayment, tender thereof to the mortgagee shall be sufficient to meet the requirements of this subparagraph.

3. The periods during which rental housing projects and equipment installed therein must be built and acquired for the purposes of subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 and this Order are:—

(*a*) The building of the project and the installation of the equipment must have been accomplished during the period 31st March, 1947, to 31st December, 1949, and

(*b*) The project built during the period set out in the preceding paragraph must have been acquired by the owner during the period 31st March, 1947, and the 31st December, 1959.

4. Where a project is partially completed in the period fixed by section 3 paragraph (*a*) of this Order, such part thereof as is completed during the said period shall be deemed to be the rental housing project subject to this Order for the purposes of subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act.

5. In computing the amount of the profits or gains to be assessed under the Income War Tax Act or the Excess Profits Tax Act, 1940, depreciation may be deducted at the option of the taxpayer in an amount computed at not more than double and not less than one-half the rates normally allowed if the amount is allowed by the Minister pursuant to subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act and this Order.

6. No depreciation shall be allowed with respect to the rental housing project or any class of equipment installed therein as provided in the preceding section, notwithstanding anything contained therein—

(*a*) until the project is completed and is producing revenue;

(*b*) unless the documentary evidence of the costs thereof as required by section 9 of this Order is filed with the Minister on or before the due date for the filing of income tax returns of the year in respect of which the project was completed;

(*c*) after the total depreciation allowed to the owner and any preceding owner equals the original cost of the project or equipment;

(*d*) after ten years from the completion of the project or after the 31st December, 1959, whichever is the earlier in time.

7. No depreciation shall be allowed pursuant to section 5 of this Order in respect of any rental housing project or equipment installed therein unless the Corporation has certified that, having regard to the need of rental housing accommodation in Canada, it is desirable in its opinion that depreciation be allowed in respect thereof, as provided by the said section 5.

8. The Corporation may at any time, when in its opinion the applicant for depreciation under this Order has ceased to fulfil the conditions contained in section 2 hereof, withdraw the certificate provided in section 7 of this Order and the Minister will not allow depreciation at double the rates normally allowed for the purpose of assessing income tax and excess profits tax with respect to the said applicant on all assessments made subsequent to the withdrawal of the certificate.

9. The rates of depreciation provided for under this Order shall be applied to the actual costs of constructing the rental housing project and the costs of purchasing and installing the equipment therein during the period 31st March, 1947, to 31st December, 1949, as shown to the satisfaction of the Minister through the production of statements supported by vouchers, receipts and such other evidence as may be required by the Minister.

10. Notwithstanding this Order or any provision in the Income War Tax Act, the decision of the Minister as to whether depreciation is allowable under subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act and as to the amount thereof, if any, is final and conclusive.

A. D. P. HEENEY,
Clerk of the Privy Council.

VII. SPECIAL DEPRECIATION FOR SHIPS UNDER THE INCOME WAR TAX ACT.

ORDER IN COUNCIL P.C. 2487

At The Government House at Ottawa

Tuesday, the 24th day of June, 1947.

Present:

His Excellency the Governor General in Council

His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, the Minister of Reconstruction and Supply and the Minister of National Revenue, and pursuant to the provisions of subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act, is pleased to make and doth hereby make the following order:—

Order

1. In this Order, unless the context otherwise requires:—

(*a*) "Act" means the Income War Tax Act;

(*b*) "Minister" means the Minister of National Revenue;

(*c*) "ship" means a ship registrable in Canada as a British ship under the Canada Shipping Act, 1934.

2. This Order shall apply to a ship or ships:—

(*a*) acquired by the taxpayer from the War Assets Corporation; or

(*b*) built for the taxpayer in a Canadian shipyard pursuant to a written contract between the taxpayer and the shipbuilder;

in the period from April 1, 1947, to December 31, 1949, and so long as the title to the ship or ships vests and remains in such taxpayer.

3. Where a ship is partially built in the period fixed by section 2, such part thereof as is built in the said period shall be deemed to be the ship subject to this Order for the purposes of subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act.

4. In computing the amount of the profits or gains to be assessed under the Income War Tax Act or the Excess Profits Tax Act, 1940, depreciation may be deducted at the option of the taxpayer in an amount computed at not more than double and not less than one-half the rates normally allowed if the amount is allowed by the Minister pursuant to subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act.

5. No depreciation shall be allowed under the said subparagraph (ii) notwithstanding anything contained therein:—

(*a*) until the ship is put into actual operation in the earning of income;

(*b*) unless the documentary evidence of the cost of the ship as required by section 6 of this Order is filed with the Minister on or before the due date for the filing of income tax returns in respect of the year in which the ship was acquired from War Assets Corporation or completed in the Canadian shipyard, as the case may be;

(*c*) after the aggregate of the allowances made under the said subparagraph (ii) equals eighty per centum of the cost of the ship.

6. The rates of depreciation provided for under this Order shall be applied to:—

(*a*) the purchase price paid or payable to War Assets Corporation in the case of a ship acquired from War Assets Corporation during the period from April 1, 1947, to December 31, 1949;

(*b*) the cost of the ship incurred during the period from April 1, 1947, to December 31, 1949, in the case of a ship built in a Canadian shipyard during the said period;

as shown to the satisfaction of the Minister through the production of statements supported by contracts, vouchers, receipts, certificates and such other evidence as may be required by the Minister.

7. Notwithstanding this Order or any provision in the Income War Tax Act, the decision of the Minister as to whether depreciation is allowable under subparagraph (ii) of paragraph (*n*) of subsection (1) of section 6 of the Income War Tax Act and as to the amount thereof, if any, is final and conclusive.

A. D. P. HEENEY,
Clerk of the Privy Council.

VIII. APPLICATION FORM FOR SPECIAL DEPRECIATION FOR INDUSTRIAL INVESTMENT, DEPARTMENT OF RECONSTRUCTION AND SUPPLY (R. & S. 2183).

R & S 2183 DOMINION OF CANADA CASE No.
DEPARTMENT OF RECONSTRUCTION AND SUPPLY

Application for Certificate of the Minister of Reconstruction & Supply Pursuant to Paragraph 2 (3) of Order in Council P.C. 8640 of November 10, 1944, and P.C. 1449 of April 16, 1946, for Consideration by the Minister of National Revenue in Respect of the Allowance for Depreciation Provided for in Section 6, Subsection (1), Paragraph (n), Subparagraph (ii) of the Income War Tax Act, and in the Said Orders in Council.

INSTRUCTIONS:

1. Fill out six sheets, retain one pink carbon copy for your own records, and submit the original and four copies to the **Secretary, Depreciation Committee, Department of Reconstruction & Supply,** Ottawa, Canada.
2. If the applicant operates or proposes to operate more than one plant, a separate application must be made for each plant for which a capital Expenditure is made and the depreciation requested.

ALL QUESTIONS MUST BE ANSWERED IN FULL

1. (a) Name of Applicant:
   (b) Address of Applicant:
   (c) Nature of Business:
   (d) District in which last income tax return was filed:
2. (a) Location of Project:
   (Street and Number) (City) (Province)
   (b) Proposed or actual Date of Commencement:
   (c) Expected Date of Completion:
3. Purpose for which this Project is to be undertaken:
4. Physical description of assets to be built or acquired and their use. Describe these assets, as closely as may be in general terms. For buildings state dimensions and chief structural materials. For machinery or equipment, indicate by descriptive terms, if not otherwise obvious, their nature and use.(Attach additional sheets if required.)

Assets	Installed Cost
Estimated Total Expenditure in respect of which a claim for depreciation is made under Section 6 (1) (n) (ii) of the Income War Tax Act **(DO NOT INCLUDE EXPENDITURES INCURRED PRIOR TO NOVEMBER 10, 1944):**	$

5. Estimated breakdown of the above Total Expenditure in the following categories:

(a) Construction for conversion, expansion or modernization:		(c) New machinery and equipment, installed cost:	
Labour:	$	Canadian Manufacture:	$
Material:	$	Other Manufacture:	$
Other:	$		
Total:	$	Total:	$
(b) Buildings and other structures to be purchased:	$	(d) Used machinery and equipment, installed cost:	$

6. Proposed method and sources of funds for financing this Expenditure, for example, cash and other liquid assets on hand, bank loans, bonds, stock or share issues, investment by partners, parent or affiliated company, and the approximate amount from each source:
7. Have financial assistance, special depreciation or other allowances been granted by or requested from the Dominion or other Governments, on this Expenditure, or on any part thereof? If so, from what agencies and with what results?
8. If the project, of which the Expenditure shown in 4 above is a part, has already been commenced, state:

Costs incurred (whether paid or not)			
Up to November 10, 1944		After November 10, 1944	
Construction Buildings purchased Installed machinery and equipment	$	Construction Buildings purchased Installed machinery and equipment	$
Total		Total	

9. (a) Production and Exports
   (Gross Selling Value F.O.B. this plant.)

	Production (Total)	Exports
(1) 1939		
(2) 1944		
(3) Last 12 months		
(4) Estimated annual rate one year after completion of project:		

(Over)

9. (b) Employment in Plant

	Male	Female	Total
(1) 1939 (average number employed):			
(2) 1944 (average number employed):			
(3) Last 12 months (average number employed):			
(4) Estimated increase or decrease directly associated with this project one year after its completion.			

10. Information on types of products:

Products made in 1939	Products made at present	Products to be made on completion of project	Products not previously manufactured in Canada

11. (a) Will this expenditure reduce your unit costs?

(b) Will this expenditure contribute to improved working conditions in this plant? Describe briefly:

CERTIFICATION BY THE APPLICANT

TO THE MINISTER OF RECONSTRUCTION AND SUPPLY:

(1) The information given in this application is, to the best of my knowledge and belief, true and correct.

(2) The amounts on which depreciation will be requested under Orders in Council P.C. 8640 of November 10, 1944, and P.C. 1449 of April 16, 1946, have been estimated after a careful examination of Section 6, subsection (1), paragraph (n), subparagraph (ii) of the Income War Tax Act, and of the said Orders in Council and of the Regulations thereunder.

(3) The applicant has firm intention to complete the project covered by this application within the period prescribed.

.... Date

.... Name of Applicant

.... Signature of Authorized Official

.... Title of Authorized Official

DOMINION OF CANADA—DEPARTMENT OF RECONSTRUCTION AND SUPPLY

CERTIFICATE

TO THE MINISTER OF NATIONAL REVENUE:

The Minister of Reconstruction and Supply hereby certifies that having regard to reconstruction needs, it is desirable in his opinion, that depreciation, pursuant to Section 6, subsection (1), paragraph (n), subparagraph (ii) of the Income War Tax Act, Orders in Council P.C. 8640 of November 10, 1944, and P.C. 1449 of April 16, 1946, and the Regulations made thereunder, be granted in respect of the plant and equipment referred to in this application provided that the expenditure in respect thereof is incurred between.............................. 194..........., and the end of the period prescribed in paragraph (1) of Order in Council P.C. 1449 of April 16, 1946.

This certificate is issued pursuant to the provisions of Orders in Council P.C. 8640 of November 10, 1944, and P.C. 1449 of April 16, 1946, and the Regulations thereunder.

Dated the..day of......................................, 194...........

MINISTER OF RECONSTRUCTION AND SUPPLY

Per...

Officer Authorized by the Minister

IX. APPLICATION FORM FOR CAPITAL EXPENDITURE DEPRECIATION CLAIM, DEPARTMENT OF NATIONAL REVENUE (REVISED APRIL, 1947).

For the use of any taxpayer who has already filed Form D.O.R. 17 or R. & S. 2183 with the Department of Reconstruction and has received the Certificate of the Minister of Reconstruction therein referred to, as required by paragraph (3) of section 2 of Order in Council P.C. 8640 of the 10th November, 1944.

DOMINION OF CANADA
DEPARTMENT OF NATIONAL REVENUE
TAXATION DIVISION

C. E. D.
CAPITAL EXPENDITURE DEPRECIATION CLAIM
(Rev. Apr. 1947)

Date Rec'd by Tax Office

CAPITAL EXPENDITURE DEPRECIATION CLAIM

(Form prescribed and authorized by The Minister of National Revenue)

INSTRUCTIONS:

(a) Submit the original and two copies to the Income Tax Office in the district where your Income Tax Returns are usually filed.

(b) This form should be completed and filed within six months of the completion of the project, or before the due date for the filing of Income Tax Returns in respect of the year in which the project was completed. Otherwise normal depreciation only may be claimed.

(c) Separate forms should be completed for each project for which application was made to the Minister of Reconstruction and for which a certificate was issued by him.

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1. (a) Name of Applicant...
(If Unincorporated, give Name of Proprietor or Partners and the Trade Name)

(b) Address of Applicant...

(c) Nature of Business...

2. (a) Location of Project...

(b) Date Project Commenced...

(c) Date Project Completed...

(d) Date such plant and/or equipment was first put into continuous operation.....................
(See Paragraph 12 of the Regulations of January, 1945.)

(e) If project commenced *prior* to November 10, 1944, or finished *subsequent* to March 31, 1948, attach Progress Report of qualified architect or engineer showing costs incurred during the prescribed period.

3. Information from application (Form DOR 17 or Form R. & S. 2183) approved by the Minister of Reconstruction:—

(a) Case number.............................. Does this C.E.D. Claim complete the project(s) under this Case number?.....................
Yes or No

(b) Certificate dated..............................covering the expenditure incurred between ....194..........., and the end of the period prescribed in Paragraph (1) of Order in Council P.C. 1449 of April 16, 1946.

4. Particulars Regarding the Purchasing and the Financing of the Project:

(a) State method by which the project was financed, i.e., cash and other liquid assets on hand, banks, bonds, stock or share issues, investment by partners, parent or affiliated company, and the amount from each source...

....

....

If financed by shares or other payment in kind, give full details of the transaction.

....

....

....

....

(b) State whether Vendor of buildings, machinery material, etc., or Contractor who constructed the buildings or installed the machinery, etc., on which special depreciation is now being claimed has an interest of one-quarter or more in this company, partnership or proprietorship..........
Yes or No

If so, give details..........

5. State the annual normal rate of depreciation given your business in respect of similar assets to those described on this form, namely:

On Buildings, %
On Machinery, %
Other Assets, % (Describe)

6. State departure or changes, if any, from the intentions, statements and estimates given on Application Forms D.O.R. 17 and/or R. & S. 2183. If none insert "None"..........; otherwise give full particulars..........

7. Did the total cost exceed the estimated cost in percentage greater than those percentages referred to in Paragraph 6 of the Regulations of January 1945 issued by the Minister of National Revenue?..........
Yes or No

8. DETAILED PARTICULARS OF CAPITAL ASSETS AND COSTS (INSTALLED) FOR POSTWAR EXPANSION, CONVERSION OR MODERNIZATION IN RESPECT OF WHICH DEPRECIATION IS CLAIMED UNDER SECTION 6 (1) (n) (ii) OF THE INCOME WAR TAX ACT AND ORDER IN COUNCIL P.C. 8640 OF THE 10TH OF NOVEMBER, 1944, AND ORDER IN COUNCIL P.C. 1449 OF THE 16TH APRIL, 1946.

(a) Construction of new buildings, or expansion, conversion or modernization of old buildings

Description of Asset (1)	Location of Asset (2)	COSTS			TOTAL COST (6)
		Labour (3)	Material (4)	Other (5)	
					$

(b) Buildings and Other Structures Purchased

Description of Asset	Location of Asset	PURCHASE PRICE	
		Buildings	Land
		$	$
Should additional costs be incurred after purchase give the following information:	Labour $		
	Material $		
	Other $		
		$	$

Describe the plant and equipment referred to in Item 8 (a), (b), (c) and (d) as closely as may be in general terms, i.e., for buildings say "Buildings mainly of brick, stone, wood, or cement" as the case may be; for machinery or equipment add thereafter indicative descriptive terms to show (a) their character, (b) the use or intended use of the property.

(c) New Machinery and Equipment, Installed Cost

(i) Canadian Manufacture:

Description of Asset	Location of Asset	Total Cost
		$

(ii) Other Manufacture:

Description of Asset	Location of Asset	Total Cost
		$
	Total (*i* and *ii*)	$

(d) Used Machinery and Equipment, Installed Cost

Description of Asset	Location of Asset	Total Cost
		$

(a) Construction of new buildings or expansion, conversion or modernization of old buildings	$
(b) Buildings and Other Structures Purchased (DO NOT INCLUDE COST OF LAND)	$
(c) New Machinery and Equipment, Installed Cost	$
(d) Used Machinery and Equipment, Installed Cost	$
Total	$

Where space is insufficient attach additional sheets correspondingly subdivided.

CERTIFICATE TO THE MINISTER OF NATIONAL REVENUE

I,...of...
(Print or type name) (City or Town)

in the Province of...do hereby certify:—

(a) That I am (i) the person referred to in Item 1;

Strike out inappropriate designations

(ii) a partner in the business referred to in Item 1;

(iii) an officer of the company referred to in Item 1 and duly authorized to sign this application on behalf of the company;

(b) That the information, answers, circumstances and facts herein stated in respect of the plant or equipment built or acquired in the period fixed by the Governor in Council, of which I have full knowledge, are true as to fact;

(c) That I have read Section 6 (1) (n) (ii) of the Income War Tax Act and Order in Council P.C. 8640 of the 10th November, 1944, this form and the printed Regulations of January, 1945;

(d) That this form, the statement and schedules attached or submitted in connection herewith contain a complete and full disclosure of the capital expenditures incurred in respect of plant or equipment built or acquired and installed in the said period, and for which a certificate of the Minister of Reconstruction has been received;

(e) That no claim under the said section 6 (1) (n) (ii) and the said Order in Council is made in respect of any capital costs which were not incurred within the period 10th November, 1944 to 31st March, 1948;

(f) That the work done is not a continuation of capital works, projects or installations actually commenced prior to the 10th November, 1944; (or if it is, strike out the foregoing, and leave the following)

That the work done is a continuation of capital works, projects or installations actually commenced prior to the 10th November, 1944; (Strike out if preceding paragraph applies.)

(g) That in the capital costs there is not, nor will there be at any time hereafter, included any cost whatsoever in connection with the items referred to in paragraph 3 of the said Order in Council, which paragraph I have read;

(h) That the said building(s), machinery and/or equipment is/are owned by me/us/the Company, and is/are designed and intended to be used in the earning of income, and the building(s) is/are not built or acquired for rental purposes (Strike out inappropriate parts);

(i) That the cost of any assets built or acquired and installed within the period provided are shown as the actual cost after taking into account all discounts, rebates and other allowances directly or indirectly made or to be made;

(j) That all costs claimed are only those capital expenditures that were actually incurred on account of and for the business of the applicant;

(k) That the costs are entered in the books of account, statements and on any Government forms hereafter required respecting the said capital expenditures, and were not claimed or shown as part of the annual expenditures by way of expense to earn the annual income, except as annual depreciation, as provided for in the said Act;

(l) That there is not included in any capital costs the cost of work done or equipment acquired prior to the 10th November, 1944, or after 31st March, 1948;

AND I HEREBY CERTIFY that the foregoing information and all other information given by, with, or attached to this return, is true in every respect and the project as described in Form D.O.R. 17 or Form R. & S. 2183 was completed in accordance with the intentions and statements given or contained in the said form, and that the said project so far as any claim is made herein was completed within the period prescribed by the Statutes and the said Order in Council.

Date...194...........

....
Signature of an authorized officer of the company or proprietor or partner.

Tel. No...................................

....
Position or rank of officer.